FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND FEBRUARY 20/FEBRUARY 21 1993 — D8523A

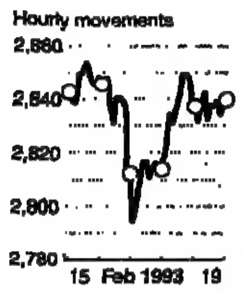
Major to approve US plan for Ulster peace envoy

UK prime minister John Major will approve US president Bill Clinton's plan to send a peace envoy *to Northern Ireland* when the two meet in Washington next week. The emissary will not have a mediation role and contacts will be confined to leaders of legitimate political parties. Meetings with illegal paramilitary groups will be banned.
Page 3

Bank under investigation: An alleged fraud that cost the Salvation Army $8.8m is believed to be part of a wider international fraud involving Islamic Pan American Bank of Argentina, which is under investigation by police and regulators in the UK and the US. Page 24

UN chief orders aid resumption: United Nations secretary-general Boutros Boutros Ghali told Sadako Ogata, UN high commissioner for refugees, to reverse her decision to suspend relief supplies to many parts of Bosnia-Hercegovina.
Page 2

UK equities market sees little selling



Cautious at first because of Wall Street's easier trend overnight, equities in London soon climbed by eight points on the FT-SE 100 index before reversing to fall five. Traders said there was little selling. At the close, the Index was just 2.3 ahead at 2,840, a net fall of only three points from the previous Friday. Page 15, Markets, Weekend II

France threatens oilseed veto: France told the European Community it would veto the *draft accord between the community and the* US on oilseeds – an integral part of the US-EC farm accord in the Gatt trade talks – if the deal was put to a vote at next month's farm ministers' council. Page 2

South Africa talks to resume: Multi-party talks on a new constitution for South Africa will resume next month after a gap of 10 months which followed a breakdown in discussions on multi-racial power-sharing. Page 3

Ferry deaths could exceed 1,000: A ferry carrying up to 2,000 passengers sank off Haiti and rescuers fear the death toll could exceed 1,000. Off Sweden, a hydrofoil carrying 280 passengers was struck by a freak wave and began to sink. It was towed to safety and the passengers were transferred to other boats.

Unions' block vote criticised: The interim *report on the future of the UK Labour party's* links with the trade unions suggests they are "a cause for celebration rather than concern". Page 24

Test changes: UK education secretary John Patten said results of this year's compulsory English tests for 14-year-olds in England and Wales would not be published in school league tables. Page 6

JVC plans German closure: Victor Company of Japan, consumer electronics group which specialises in video equipment, plans to close one of its manufacturing plants in Germany to stem mounting losses. Page 12

Retrial ordered: Malcolm Kennedy, 46, convicted of murdering his cellmate in London's Hammersmith police station on Christmas Eve 1990, was granted a retrial by the Court of Appeal.

Costain's US coal arm in court: The US coal mining arm of UK construction group Costain pleaded guilty to 29 charges involving safety violations at its William station mine in West Kentucky where 10 people died in an explosion in 1989. Page 10

Honda profits down: Pre-tax profits at Japanese car manufacturer Honda fell 16.9 per cent to Y18.23bn ($150.7m) for the quarter to end-December because of foreign exchange losses from the surge in the yen against the dollar.
Page 12

Lager league: The UK Football Association Premier League agreed a £12m sponsorship deal over four years with Bass, brewer of Carling Black Label lager. From next season the league will be known as the FA Carling Premier League.

STOCK MARKET INDICES

FT-SE 100	2,840.0	(+2.3)
Yield	4.25	
FT-SE Eurotrack 100	1,138.6	(+3.65)
FT-A All-Share	1,387.47	(+0.1%)
Nikkei	17,010.03	(+27.89)
New York lunchtime:		
Dow Jones Ind Ave	3,299.76	(−2.43)
S&P Composite	432.91	(−2.65)

US LUNCHTIME RATES

Federal Funds	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	2.972%
Long Bond	$101\frac{11}{32}$
Yield	7.012%

LONDON MONEY

3-mo Interbank	$6\frac{1}{4}$%	(same)
Liffe long gilt future	Mar $103\frac{7}{32}$	(Mar $102\frac{31}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day Apr	$18.25	(+0.36)

Gold

New York Comex Apr	$331.8	(331.5)
London	$330.25	(330.05)

STERLING

New York lunchtime:		
$	1.45435	
London:		
$	1.453	(1.4455)
DM	2.3775	(2.36)
FFr	8.05	(7.9975)
SFr	2.19	(2.1825)
Y	173.0	(172.75)
£ Index	77.4	(76.7)

DOLLAR

New York lunchtime:		
DM	1.6365	
FFr	5.543	
SFr	1.5055	
Y	119.025	
London:		
DM	1.638	(1.6335)
FFr	5.54	(5.5325)
SFr	1.508	(1.509)
Y	119.1	(119.55)
$ Index	66.3	(66.5)
Tokyo close Y 119.23		

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Treasury team says outlook remains uncertain ■ Survey finds sharp fall in confidence

'Wise men' warn against tax rises

By Peter Marsh, Economics Staff

THE UK government's new team of private-sector economic advisers warned yesterday that economic recovery is far from assured and could be jeopardised by any tax increases in next month's Budget.

It also warns that Britain's potential to produce goods and services during the rest of the 1990s may have been damaged by increased long-term unemployment and the premature scrapping of factory machinery.

The generally gloomy report from the advisers coincided with news that consumer confidence has fallen sharply in recent weeks, a reminder that lack of strong indications about an upturn in the economy may continue to hold back spending.

According to a monthly survey by Gallup, a market research group, confidence has dropped partly in response to worries about inflation and unemployment. The report says 60 per cent of UK citizens are either just making ends meet or drawing on their savings.

The report by the Treasury's seven-strong advisory panel was published at the end of a mixed week of economic data which saw the headline jobless total climb above 3m for the first time in six years.

Although the panel believes economic prospects have been helped by lower interest rates and sterling's devaluation, it says there is "considerable uncertainty" about the strength of any rebound from the recession.

The panel sees more scope for further cuts in bank base rates from 6 per cent, should economic activity weaken in the next few months. It says high debts "may be a greater brake on consumer spending than we have allowed for".

Of the seven economists only Professor Tim Congdon, managing director of Lombard Street Research, wants to see Mr Norman Lamont, the chancellor, increase taxes in the March 16 Budget. The others say such a move could hold back a recovery but are keen to see the Treasury "set out a clear strategy" to reduce the rising deficit by tax increases from 1994-95 or cuts in public spending.

The part-time advisers – recruited by Mr Lamont at the end of last year as part of a move to greater openness in economic policymaking – think that underlying inflation will fail by a small amount to breach the Treasury's 4 per cent target this year and next. However, the target is likely to be exceeded in 1995 and 1996 as extra economic activity prompts rising cost pressures.

All the advisers think unemployment will rise further to between 3.1m and 3.4m by the end of the year.

The average forecast of the advisers is for the UK economy to expand 1.1 per cent this year, with growth picking up to 2.7 per cent in 1994. It warns that another year of flat or declining output, after economic contraction last year and 1991, would be "extremely damaging".

The group is concerned about the large current account deficit. It reckons the gap between imports and exports will rise from £12bn last year to £15.5bn this year.

The Gallup survey is based on interviews with more than 2,000 people at the start of February.

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Yeltsin calls for sacking of political adversary

By Leyla Boulton in Moscow

THE BATTLE for Russian *political supremacy* intensified yesterday when President Boris Yeltsin called on parliament to sack his chief rival, parliamentary speaker Mr Ruslan Khasbulatov.

Efforts to effect a truce between the two men seemed close to collapse after Mr Khasbulatov, canvassing for support *among local council leaders in* western Siberia, mocked President Yeltsin for playing games with the fate of Russia.

In a highly personal attack, Mr Vyacheslav Kostikov, Mr Yeltsin's spokesman, urged parliament to think of firing its speaker. Mr Khasbulatov had broken a gentleman's agreement *to refrain from public polemics* while the two leaders tried to negotiate a constitutional truce, the spokesman said.

"It is becoming clear that Khasbulatov is increasingly discrediting himself as a party in negotiations, as a politician one can do business with in Russia."

Mr Kostikov also accused Mr Khasbulatov of currying favour with arch-conservatives and said he was responsible for the country's constitutional instability.

The latest exchange confirms the near impossibility of the two former allies resolving what has become an intensely personal struggle with deep significance for the entire country.

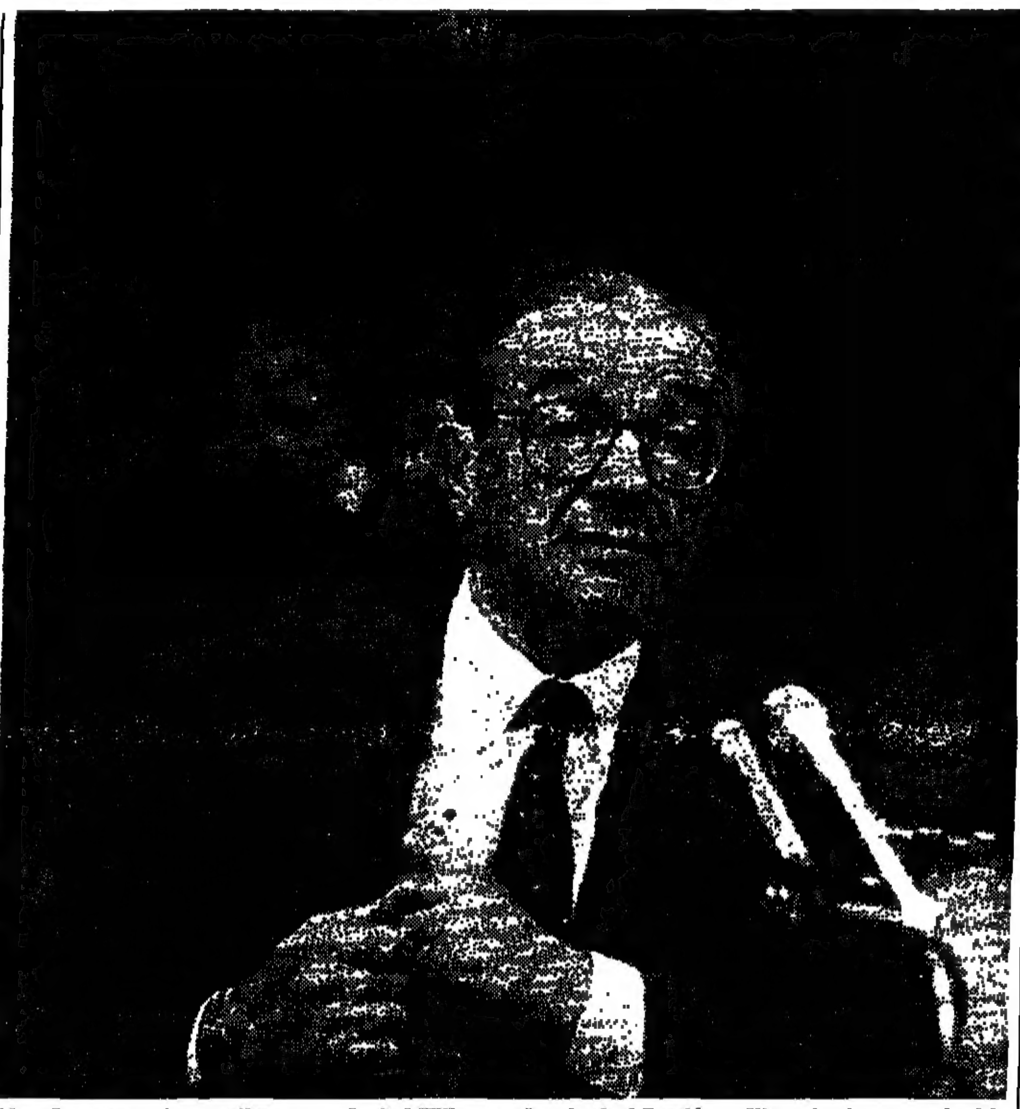
Mr Yeltsin is fighting to stop the continuing erosion of his powers by parliament. The two rivals agreed on Tuesday to try and negotiate a formula for dividing power between the executive and legislature.

However, after Mr Yeltsin appeared on television proposing *a division of powers which would* confine parliament to examining and passing legislation and give the executive the freedom to take executive decisions, Mr Khasbulatov yesterday rejected the proposal.

He stressed that under the still-functioning communist constitution, the parliament was "the highest organ of power" and that any successor body should remain so.

At yesterday's meeting in Novosibirsk, Mr Khasbulatov attacked the president for threatening to press ahead with a constitutional referendum.

"I regret we haven't seen any concrete proposals from the president...it's time to end this game. If he wants a referendum, then let's have one. If he doesn't want one, he should say so." The president's frequently expressed opinion that the full parliament, the Congress of People's Deputies, was incapable of adopting a new constitution was a "primitive conclusion". He also said the country did not urgently need a new constitution.



Alan Greenspan, in a testimony on Capitol Hill yesterday, backed President Clinton's plan to deal with the US budget deficit but refused to endorse 'complementary' monetary policies Report, Page 24

Italy shaken by more cabinet resignations

By Haig Simonian in Milan

THE FUTURE of Italy's shaky seven-month-old government was plunged into doubt yesterday after the *resignation* of the finance minister, Mr Giovanni Goria, and the health minister, Mr Franco De Lorenzo.

Opposition politicians called for the immediate resignation of Mr Giuliano Amato as prime minister. They urged that he be replaced by an apolitical figure who could lead an administration *until new elections based on a* reformed voting system.

Yesterday's resignations follow the decision earlier this month by Mr Claudio Martelli, the former justice minister, to step down. Mr Martelli had been advised by Milan magistrates that he was under investigation over illegal political funding.

Last night, Mr Amato was locked in talks with senior representatives of the political groupings that form his four-party coalition amid considerable uncertainty over whether the government would survive.

Mr De Lorenzo had been advised that he was under investigation in connection with a Naples votes-for-jobs scandal. Mr Goria is allegedly involved in unspecified corruption relating to the construction of a hospital in his constituency.

The tense political climate had an immediate effect on the lira, which fell to L957 against the D-Mark. *The currency*, which has been under growing pressure as political uncertainties mounted this week, has only sunk so low for a brief spell after last year's decision to leave the exchange rate mechanism.

While Mr De Lorenzo's resignation did not come as a surprise, that of Mr Goria was less expected. *Both moves are linked to the* growing anti-corruption wave sweeping Italy, which has led to numerous politicians being investigated and hundreds of arrests.

Tension in the government, which is made up of Mr Amato's Socialist party, the Christian Democrats and the smaller Liberals and Social Democrats, had *been rising this week. This fol*lowed growing doubts about the chances of a successful reshuffle to broaden its base and allow the entry of other parties into the coalition.

The loss of two senior ministers could represent the coup de grace for Mr Amato. However, some observers still believe party leaders may prefer to let the

Continued on Page 24

ICI board poised to go ahead with split

By Paul Abrahams and Maggie Urry

THE BOARD of Imperial Chemical Industries, the UK's largest manufacturer, is believed *to be almost certain to vote on* Wednesday to split the company into two separately-quoted groups.

However, a debate is raging within ICI and SG Warburg, its adviser, about how to structure the expected £1bn fund-raising necessary to carry out the demerger.

Sir Denys Henderson, chairman, and Mr Ronnie Hampel, chief operating officer, are determined to complete the move in spite of poor trading conditions, according to non-executive *directors.*

At least one board member has expressed doubts about whether the new ICI will be able stand on its own during the recession without the cash-flow generated by the pharmaceuticals division.

One option for financing the move is an immediate rights issue by the pre-demerged ICI. The structure of such a deal would probably be complicated.

Another possibility involves an international issue at a later date by Zeneca, ICI's newly created pharmaceuticals, agrochemicals and specialty chemicals group. "It all comes down to John Mayo and what he can persuade the board to do," said one investment banker. Mr Mayo, Zeneca's finance director and a former *Warburg corporate financier, is* thought to favour the second solution.

However, others feel that the ICI rights issue is preferable, given the stock market's current receptiveness to issues, and with ICI craving certainty in the financing. An issue of this size could only be underwritten in the London market.

The rights issue is required to clear some of ICI's debt, estimated by broker BZW at between £1.7bn and £2bn. Without the issue, the new ICI, whose cash-flow has suffered from the recession, would find it hard to pay its dividend.

Since the demerger was announced in July, trading conditions for ICI's chemicals business have deteriorated. Earlier this week, Rhône-Poulenc, France's largest chemical group, said the European chemicals industry was in a worse state than during the 1973 oil shock. ICI's industrial chemicals business is expected

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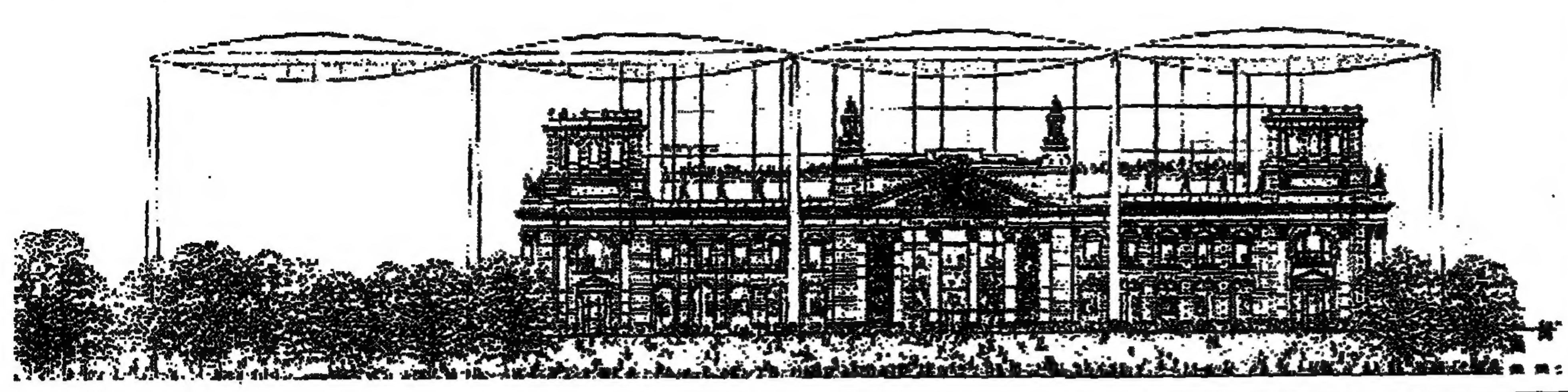
Austria Sch30; Bahrain Din1 250; Bermuda $1.65; Belgium BFr60; China Fec 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft162; Iceland IKR180; India Rup40; Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y300; Jordan JD1.50; Korea Won 2500; Kuwait Fils 600; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira20.00; Netherlands Fl3.75; Norway Nkr16.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S Arabia Rls11.00; Singapore S$4.10; Slovak Rep Kcs45; Spain Pta200; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht60; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

 No 31,994 Week No 7 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Foreign architects look to heavenly image for redesign of Berlin's Reichstag



THREE radically different designs – all by foreign architects – to convert the war-scarred Reichstag building in Berlin into the new German parliament were chosen yesterday.

One of Britain's foremost architects, Sir Norman Foster, proposed a 50-metre high canopy over the building (left). The cloud-like shape of the structure won the immediate nickname "Himmel über Berlin" (Heaven over Berlin), the title of the Wim Wenders film known in English as "Wings of Desire".

Sir Norman said the pavilion created a sense of "grand arrival" but still left a social gathering point at the site of momentous developments in German history. His design reflected "an image of Germany today... We are not in the 19th century, and German democracy is looked up to now".

Spaniard Santiago Calatrava proposed a glass dome over the building, while Dutch architect Pi de Bruijn suggested a more modest design.

The Reichstag, opened in 1894, was burnt out in an arson attack in 1933. In 1991 the Bundestag decided to transfer parliament to Berlin.

Speculation mounts that High Commissioner for Refugees is considering her resignation

UN chief orders resumption of aid to Bosnia

By Robert Mauthner in New York, Laura Silber in Belgrade and Frances Williams in Geneva

MR Boutros Boutros Ghali, the United Nations secretary-general, said yesterday he had written to Mrs Sadako Ogata, the UN High Commissioner for Refugees, asking her to ensure that humanitarian relief deliveries in Bosnia-Hercegovina were immediately resumed.

In reply to a question whether Mrs Ogata agreed with such a decision, Mr Boutros Ghali said: "I am supposed to direct this operation."

The UN secretary-general's instructions to Mrs Ogata to reverse her decision to suspend relief supplies to many parts of Bosnia-Hercegovina, which came only 48 hours after the original decision was made, is a clear indication that there has been a serious communications breakdown among senior UN officials.

Diplomats representing members of the Security Council have been expressing surprise and consternation that Mrs Ogata acted without prior consultation with the Council and the secretary-general. Although she is reported to have given advance notice of her decision to Mr Cyrus Vance, one of the co-chairmen of the Bosnian peace conference, Mr Vance is understood to have advised her against taking a decision without consulting Mr Boutros Ghali. The UN chief was on a visit to Japan.

A UN spokesman said he did not have any information on whether Mrs Ogata intended to visit UN headquarters in New York in the near future. But there is speculation she might be considering resigning, in spite of the high regard in which she is held by member governments.

UNHCR operations have been crippled by the refusal of local Bosnian Serb commanders to allow relief supplies into Moslem-held towns in eastern Bosnia. This prompted last week a Bosnian government boycott of deliveries to Sarajevo, the Bosnian capital.

General Philippe Morillon, head of the UN Protection Force (Unprofor) in Bosnia, said on Thursday that he thought he had won pledges from Bosnian Serb leaders to allow a delayed UN aid convoy escorted by his troops to travel to the Moslem strongholds of Gorazde and Zepa.

But hopes that this could prove a signal for resumed UNHCR operations were dashed yesterday when a reconnaissance mission to Zepa was turned back by Bosnian Serb forces.

The main convoy will try to reach Gorazde again today, after emergency repairs to a hole in the road.

Ms Sylvana Foa, a UNHCR spokeswoman, yesterday defended Mrs Ogata from accusations that the decision to suspend aid was taken without proper consultation. She said Mrs Ogata had spoken the previous day to Mr Vance and had recently warned Mr Boutros Ghali that suspension might be necessary.

The decision had aroused intense controversy. A private meeting on Thursday of about 20 countries involved in the aid effort in the former Yugoslavia had backed Mrs Ogata's stand, Ms Foa said.

Mrs Ogata and relief workers on the ground, frustrated after Serb commanders repeatedly denied access to Moslem enclaves, ordered the suspension of aid on Wednesday. The UNHCR also stopped aid to Sarajevo after the Bosnian government announced their boycott in solidarity with the besieged Moslem strongholds.

Meanwhile, the Security Council yesterday decided to renew the mandate for 23,000 UN peacekeeping troops in the former Yugoslavia for an interim period of six weeks, to give international mediators extra time to broker peace agreements in Croatia and Bosnia.

The decision, which covers the period from February 21 to March 31, is intended to strengthen Unprofor in the Krajina region of Croatia, where it has been unable to ensure the full implementation of a peace plan concluded in January 1992.

The resolution, drafted by France, which has seen 12 of its peacekeeping troops killed in conflict so far, invites Mr Boutros Ghali to take "appropriate measures" to strengthen the security of Unprofor.

The resolution specifically mentions for the first time that Unprofor will be acting under Chapter 7 of the UN Charter. This chapter governed allied operations in the Gulf war and allowed member states to use military means to ensure the implementation of Security Council resolutions.

Fillip for German rate cut hopes

By David Waller in Frankfurt

HOPES for further, sustained cuts in German interest rates were given a fillip yesterday after the Bundesbank released figures showing that broad money supply – traditionally the German central bank's key indicator in the battle against inflation – fell in January on an annualised basis.

Economists had expected the rate of growth in M3 to fall significantly from December. But the annualised, seasonally adjusted 2.3 per cent drop in M3 – following an 8.7 per cent rise in December – took observers by surprise when it was announced yesterday, prompting an increase in German bond prices in expectation of further interest rate cuts.

The Bundesbank said the figure was distorted, taking care to emphasise that the drop reflected a number of special factors, chiefly the reversal of the currency flows which had bloated M3 growth in the autumn of last year. The Bundesbank's currency market interventions helped send annualised M3 growth to a record 10.3 per cent last October.

Another reason was purely statistical – the Bundesbank calculates the growth with reference to the previous three month's figures. As these were exceptionally high, it was inevitable that the January annualised figure would be vastly improved on the December M3 number. Economists were, however, expecting growth of around 4 per cent, not a fall.

Despite the Bundesbank's attempts to play down the significance of the number, economists were encouraged, predicting that the Bundesbank would be able to meet its growth target for M3 this year. Last year M3 grew [illegible] 9.4 per cent compared [illegible] a target range of 3.5 to 5.5 per cent, the worst performance since targeting was introduced 18 years before. The target was subsequently raised to 4.5 to 6.5 per cent for 1993.

"This is it, but not quite," said Mr Robert Barrie, European economist at Barclays de Zoete Wedd Securities in London.

"The figure is of course not as good as it looks but nevertheless it means we are on course for a sustained easing of interest rates. Even stripping out the distortions, it would have been a good number."

The Bundesbank said that on a straightforward year-on-year basis, M3 – which includes cash, current accounts and short-term deposits – grew by 7.5 per cent. Measured against the previous six months, it grew by 6.5 per cent.

The Bundesbank cut the Lombard rate by 0.5 per cent to 9 per cent and the discount rate by 0.25 per cent to 8 per cent on February 4. Observers are hopeful that the Bundesbank will make further cuts in March or early April.

See Lex, Page 24

Job losses to mount in French industry

By Alice Rawsthorn in Paris

JOB losses will mount across France in the first half of this year as industry continues to cut costs and prune investment, according to the latest business survey by Insee, the state statistics institute.

The rise in unemployment, after last year's 5 per cent increase to 2.98m people, will keep consumer confidence and spending depressed, the survey says. There is also little hope of a recovery in industrial expenditure.

The 2,000 companies questioned by Insee expected an overall cut of 4 per cent in industrial investment this year after last year's 6 per cent reduction.

French industry has just emerged from a bruising 1992, when companies struggled against a combination of sluggish consumer spending, high interest rates and a strong currency. Yesterday's announcement confirms the gloomy tone of the Bank of France's business survey published on Monday and follows Thursday's news that the Insee industrial production index fell in December to its lowest level for four years.

The threat of further industrial cuts comes at a sensitive time. France's socialist government, which faces defeat by a conservative coalition in next month's elections, is anxious to paint a positive picture of the economy to avert further attacks on the franc.

However, the Insee survey points to another difficult year for French companies. Most respondents expect the overall level of activity in the first half of 1993 to match the corresponding period last year.

Wily Rocard eyes the presidential prize

Alice Rawsthorn on the former premier's moves to distance himself from his party

Rocard: political big bang

MR Michel Rocard, the former French prime minister, showed his keen eye for history on Wednesday night when he chose Tours, the city where the original French Socialist party was dissolved in 1920, as the scene of his assault on the party of today.

The attack, which Libération, the bible of the French left, described as "a funeral oration" for the party, was Mr Rocard's plea for a "political big bang" in which the left would jettison old-style socialism to join forces with ecologists, human rights activists and other kindred spirits in an "open movement" to lead France into the next century.

Such a call, from one of the party's most senior figures, could not have come at a worse time for the socialists; battered by scandals and gloomy economic news, they are bracing themselves for a bruising defeat in next month's parliamentary elections. But for Mr Rocard the timing could not have been better.

Mr Rocard is concerned not with the current campaign – he is struggling even to save his own seat – but with his prospects in the 1995 presidential election. His Tours speech was partly an attempt to breathe new life into the floundering French left, and partly a defensive step to distance himself, and his presidential aspirations, from the socialists' problems.

The socialists have been struggling in the polls since spring 1991, when Mr Rocard was replaced as prime minister by Mrs Edith Cresson. The results of last spring's regional elections, when the party was hammered by the rise of the ecologists and National Front, showed the depth of the electorate's disaffection with the political establishment. The French left should also have been warned by the electoral defeats of the British Labour party and the Italian socialists.

Despite these danger signs the socialists did nothing and have entered the current campaign with the same tired policies. One explanation is the crisis of confidence within the party, which is weary after a decade of government and a stream of scandals. Not least of these is the Aids blood trial which has haunted Mr Laurent Fabius, appointed first secretary last year with a mandate to modernise French socialism.

Another factor is the influence of Mr Fabius' political mentor, President François Mitterrand. He resurrected the Socialist party in 1971 and told its adherents on television last week that their priority should be to strengthen the party, rather than abandon it for Mr Rocard's new alliance.

Unfortunately for the French president his fellow socialists do not seem to agree.

The idea of a new alliance has been circulating among the French left for some time. Mr Rocard is an astute politician who took care to warn his peers before dropping his Tours bombshell. So far the response of most senior socialists has been positive, as has that of Mr Brice Lalonde, former socialist environment minister and founder of the Génération Ecologie movement.

The Tours speech was only the beginning. It will take more than a well-timed "funeral oration" to bury a complex institution like the French Socialist party. But Mr Rocard has the advantage of representing, to ambitious French politicians, the future, whereas the septuagenarian President Mitterrand is fading into the past.

Ireland and Norway cut rates

By Karen Fossli in Oslo and Tim Coone in Dublin

NORWAY and Ireland both cut short term interest rates yesterday.

Norway's central bank cut the key overnight lending rate to its lowest level since the rate was introduced in 1986. The cut in the benchmark rate, the third this month, was to 9.25 per cent from 9.50 per cent, from Monday.

The move followed a period of strength in the krone and low money market rates. Norway uncoupled the krone from the European currency unit on December 10, and the currency has since fallen.

The central bank also lowered the rate for overnight deposits, the credit rate, to 8.25 per cent from 8.50 per cent. The key rate reached 25 per cent last November during turbulence in the Scandinavian currency markets.

Meanwhile in Ireland the central bank cut its short term lending facility (STF) by three quarters of a point to 13 per cent, its first reduction since it was raised by 3 points last September at the beginning of the ERM crisis.

The STF was restored only two weeks ago at its suspension level of 13.75 per cent, having been withdrawn in November as the currency crisis deepened. It was temporarily replaced by an overnight lending facility which at times soared as high as 100 per cent, as the bank sought to ward off speculation on the punt.

Commercial lending rates are pegged to the STF. However, financial institutions have been warning that unless interbank money rates fall, they may be obliged to increase their lending rates to businesses and mortgage holders. Since the punt was devalued last month, interbank money rates have remained stubbornly high.

Paris renews veto warning over US-EC oilseeds deal

By Lionel Barber in Brussels

FRANCE yesterday warned the European Community that it would veto the draft US-EC accord on oilseeds if the deal was put to a vote at next month's farm ministers' council.

The warning followed a European Commission proposal to put the oilseeds deal – an integral part of the US-EC farm accord in the Gatt trade talks – on the agenda of the foreign affairs ministers' meeting in Brussels on March 8.

Mr Jean-Pierre Soisson, French farm minister, said he had authorisation from Mr Pierre Bérégovoy, the French prime minister, to veto the deal if it were put to the vote.

The draft accord is also expected to be on the agenda of the EC farm ministers' council on March 16-17. Mr Soisson is due to attend the meeting, where there is greater sympathy for France's position than among foreign affairs ministers.

A spokesman for the Danish presidency of the EC said in Brussels yesterday that a vote could technically take place; but he echoed the view of other EC officials involved in the Gatt talks that ministers were unlikely to force the oilseeds issue just two weeks before French parliamentary elections.

The one notable exception is Mr Rene Steichen, the new EC farm commissioner from Luxembourg, who said he would like the oilseeds deal put to a Council of Ministers vote to show the US that the EC could "stick to an agreement".

Mr Steichen added it was possible the US might start back-tracking on the farm export subsidies deal agreed at Blair House in Washington last November if there was continuing uncertainty. "It is a good issue for the EC to have calm on farm exports and oilseeds."

His comments took some officials in the Commission by surprise. A spokesman for Sir Leon Brittan, external trade commissioner, would not comment on whether he, too, favoured an early vote.

The spokesman stressed that both Sir Leon and Mr Steichen supported the Blair House accord. "Whilst it is not holy writ, we do not wish it to be unstitched."

The Commission's decision to put the oilseeds deal on the agenda of the foreign affairs council followed an earlier delay – interpreted by some as a deliberate attempt to avoid a showdown with France until a comprehensive Gatt deal, including services, could be reached with the new Clinton administration in the US.

Brussels fends off criticism of banana import regime

By Lionel Barber

THE European Commission yesterday launched a vigorous defence of its new banana import regime in response to a wave of criticism from Latin American producers and Germany, the EC's largest banana consumer.

Mr Rene Steichen, EC farm commissioner, said the agreement would generally mean lower or stable prices in the EC and guaranteed protection for Community banana growers and generous support for the traditional African, Caribbean and Pacific (ACP) producers.

Germany and the Benelux countries opposed last week's deal which set an EC quota for Latin and Central American (dollar-zone) banana-producing countries of 2m tonnes, effective from July 1, at a duty of Ecu100 (£82.60) per tonne. Bananas above the 2m quota face a duty of Ecu850 per tonne.

Germany plans to lodge a formal complaint at the EC Court of Justice in Luxembourg, claiming the deal approved by qualified majority infringes its banana protocol under the 1957 Treaty of Rome.

Mr Steichen said the EC had a "blatant need" to introduce a Community quota for dollar-zone bananas now that the single European market was in force. Otherwise the EC would have to reimpose controls at national borders.

He also dismissed Latin American charges that the agreement amounted to a cocaine cartel licence as it would encourage banana farmers in Ecuador, Colombia, Panama and elsewhere to turn to other products for income. The import restrictions come at a time when many Latin American countries have made considerable investments to increase banana production.

Mr Steichen stressed the quota could be revised upward to take account of EC demand, and said it was intolerable for the EC's good faith on this pledge to be challenged.

He also gave short shrift to arguments that the new quota failed to take into account the upsurge in demand for bananas, particularly in eastern Germany.

He added the Commission was examining the close similarity between prices in quota-free Germany and the Benelux countries, which had a 20 per cent tariff.

A similar dispute involving Germany has erupted over European Commission efforts to impose a Community quota on cheap imports of items such as toys and textiles from China, North Korea and Vietnam.

Trouble at the Hammer and Sickle engine plant

Leyla Boulton and Chrystia Freeland on the problems of collapsing trade among former Soviet republics

AT UKRAINE'S Hammer and Sickle plant in Kharkov, diesel engines cannot be sold for lack of one missing component from Russia. Meanwhile in the Russian city of Rostov, combine-harvesters sit in the Rostselmash plant waiting for the Ukrainian-made diesel engines.

The mismatch is one of thousands of examples of how trade has sharply declined among former Soviet republics since they gained independence a year ago and have tried to switch from central planning to market economics and separate currencies.

The contraction in trade is one of the main reasons for a fall of more than 20 per cent in Russia's industrial output and exports last year – with similar results in other republics.

Echoing the complaints of industrialists on either side of the Russian border, Mr Viktor Chernomyrdin, the Russian prime minister, says trade must be revived among former Soviet republics "because we cannot compete on any other markets". At the same time, he and various ministers served notice that cash-strapped Russia would stop subsidising other republics with cheap energy and raw materials.

The problem of inter-republican trade now tops the agenda of many politicians in other republics too. Lithuania's new president, Mr Algirdas Brazauskas, the former communist leader, owes part of his victory this week to promises of improved trading ties with other republics and cheaper energy supplies from Russia.

Ultimately, the republics expect to move to a system of dealing enterprise to enterprise through a normal banking system. But such an option will take time while other republics are weaned off traditional dependence on cheap energy, and fully switch to their own currencies.

The day before Mr Brazauskas was elected, the country's finance minister said Russia had agreed to take roubles to pay a backlog of energy debts, but that the two sides had agreed to use hard currency settlements from March 1. It is unlikely in the meantime that Mr Brazauskas will be able to restore hot water to Lithuanian homes.

A more immediate solution – which is making little progress – is an inter-state bank which commonwealth states agreed to establish at their summit in Minsk last month. This would have acted as clearing system for other republics to continue trading freely in roubles, but would have required Russia to subsidise the trade deficits of other republics, and it would only have covered deliveries under inter-state agreements.

But Mr Vladimir Mashits, chairman of Russia's committee for relations with other republics, confirming suspicions that Russia would drag out the issue, has said it was not even being discussed because most republics, apart from Belarus, were refusing to co-ordinate financial policies with Russia for the privilege of continuing to use the rouble.

While private entrepreneurs have found numerous ways of paying each other and getting around various rules to limit flows of currency and goods between borders, many of the enterprises are still closely connected to the state and indirectly depend on some form of state subsidy. Meanwhile the banking system – already very inefficient within Russia – has made virtually no progress in establishing efficient settlements among republics.

Russia took the first step in cutting off a life-support system of cheap energy to other republics this summer by preventing them from issuing rouble credits to cover trade. Now Mr Mashits says that Russia will insist that they reimburse Rbs1,000bn "technical credits" advanced to them by the Russian central bank for energy imports. He said also the central bank should start quoting exchange rates for the other currencies issued by republics.

Russia is clearly trying to force other republics to drop the rouble or co-ordinate financial policy with Russia's. But once that is decided it will have to weigh the benefits of subsidising trade against the disadvantages of breaking it off.

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Major ready to accept US Ulster envoy

By Philip Stephens, Political Editor

MR JOHN MAJOR will tell President Bill Clinton next week that he is ready to accept with good grace the despatch by the new US administration of a peace envoy to Northern Ireland.

The prime minister's decision not to make an issue of President Clinton's pledge to adopt a higher profile in the affairs of the province follows assurances from Washington that the role of such a mission would be "fact-finding".

Officials on both sides of the Atlantic anticipate that the understanding between the two leaders will avoid the risk of differences over human rights in Ulster souring the atmosphere of their first meeting in Washington next week.

President Clinton's aides have also made it clear in advance of the talks that he has no intention of challenging Britain's permanent place on the United Nations Security Council.

The administration has stressed that recent remarks by Mr Warren Christopher, the US secretary of state, suggesting that the composition of the security council be brought "up to date" were wrongly interpreted in Britain as a challenge to the UK seat.

The two leaders' talks on Wednesday will focus on the broad range of international issues facing both the US and Europe, with the crisis in the former Yugoslavia and the stalled Gatt trade talks at the top of the agenda.

But irritation among Conservative MPs at the new administration's interest in the position of the Roman Catholic minority in Northern Ireland had threatened to cloud their crucial first meeting.

US diplomats confirmed yesterday that President Clinton intended to explore with Mr Major "one or two" specific proposals for despatch of an emissary to talk to leaders of the political parties in Ulster.

They stressed that President Clinton would not give such an envoy the "mediation" role which was suggested during his election campaign against President George Bush.

The emissary's contacts would be confined to the leaders of legitimate political parties and he or she would not make contact with any illegal paramilitary groups in the province.

For his part Mr Major is expected to underline his concern that the Democratic administration should not encourage the enforcement in US states of the so-called MacBride principles. The principles encourage companies operating in the province to discriminate positively in favour of Catholics but the UK government argues that the measure deters inward investment into Northern Ireland.

Greenspan upbeat on US economy

The Fed is trying to 'promote sustainable economic expansion', writes Michael Prowse

The US economy is likely to grow by at least 3 per cent and possibly 4 per cent this year, Mr Alan Greenspan, the Federal Reserve chairman, indicated yesterday in his semi-annual monetary report to Congress.

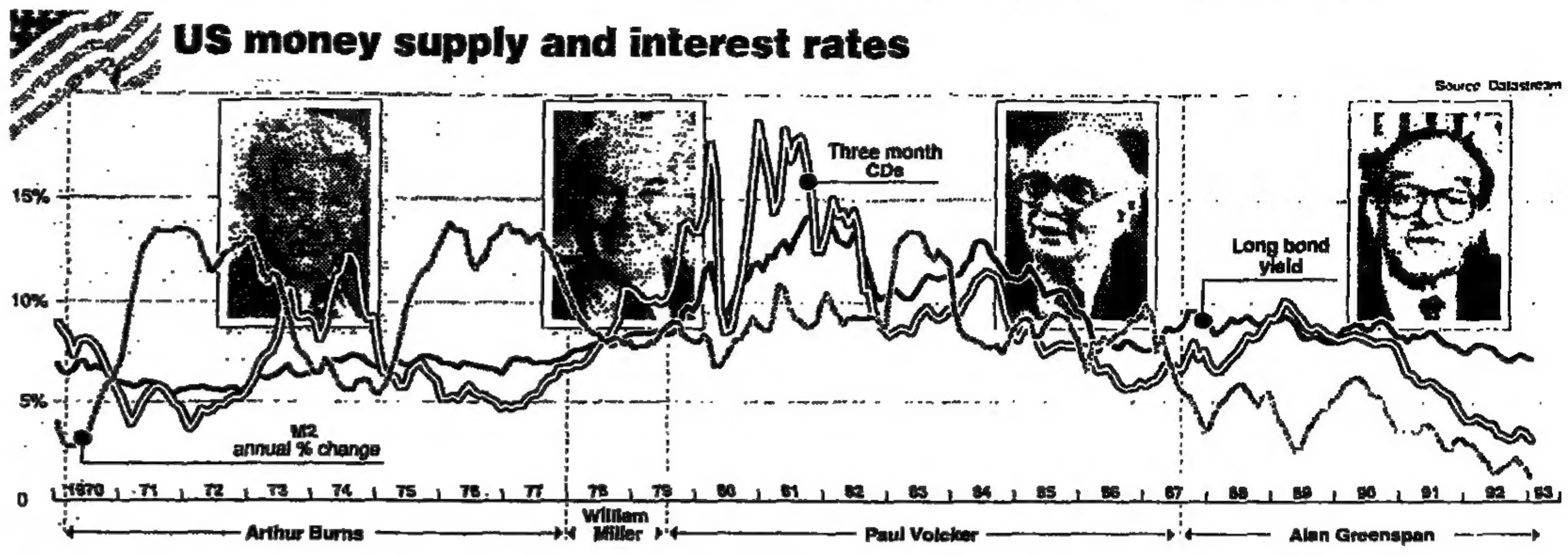
In a generally upbeat assessment, he also predicted a further decline in consumer price inflation, perhaps to only 2.5 per cent compared with 3.1 per cent last year.

The projections for growth and inflation were both noticeably more optimistic than in the Fed's last statement to Congress in July. Mr Greenspan announced a reduction in the Fed's target range for M2, a broad measure of the money supply, to growth of 2.0-6.0 per cent, against 2.5-6.5 per cent last year. However, he said the reduction reflected changes in the relationship between money and growth, not an attempt to tighten monetary policy.

The Fed was "endeavouring to conduct monetary policy in a way that promotes sustainable economic expansion."

In a hearing before the Senate banking committee, Democratic members of Congress pressed Mr Greenspan to support President Bill Clinton's economic plan if necessary by easing monetary policy to offset any negative impact on growth from measures to reduce the budget deficit.

Mr Greenspan signalled strong support for Mr Clinton's plan but said the Fed could not specify in advance how it would respond to fiscal measures. The course of interest rates would depend on a host of forces affecting the economy in coming years.



"Going forward the strategy of monetary policy will be to provide sufficient liquidity to support the economic expansion while containing inflationary pressures. The existing slack implies that the economy can grow more rapidly than potential GDP for a time, permitting further reductions in the unemployment rate even while inflation is contained."

Democratic senators criticised Mr Greenspan for failing to achieve monetary targets in the past. In the year to the fourth quarter of 1992, M2 grew only 1.9 per cent, below the lower limit of the Fed's target.

Mr Greenspan's response was to express profound scepticism about the reliability of monetary targets as a guide for policy. The monetary aggregates "do not appear to be giving reliable indications of economic developments and price pressures," he said, noting that the sluggish growth of M2 had proved consistent with much faster growth of nominal incomes than had been normal in the past. The most important reason was that savers had shifted funds out of assets included in M2 in search of higher returns, for example in bond and stock mutual funds.

Mr Greenspan signalled strong support for Mr Clinton's plan but said the Fed could not specify in advance how it would respond to fiscal measures

Mr Greenspan signalled that the economic outlook had improved noticeably in the past six months. While uncertainties remained, the economy appeared to have entered the year with "noticeable momentum to spending. In addition inventories are at relatively low levels, and factory orders have been rising. Consumer confidence has recovered, and spending on consumer durables and homes appears to be moving at a brisker pace. Recent surveys suggest an appreciable increase in business investment this year."

The Fed's "central tendency" projection is for growth this year of 3.0-3.25 per cent, 0.5 percentage points faster than expected last July. The likely range for inflation has been lowered by 0.5 percentage points to 2.5-2.75.

Mr Greenspan warned that the near-term outlook was "uncertain". A continuing worry concerned access to credit. "While banking institutions have become much more healthy and are well-positioned to meet an increase in loan demand, very few signals of any easing of terms or standards on business loans have been apparent to date."

"But I believe that in many respects the inevitable painful adjustments have laid the foundation for better performance of our economy over the longer term. Financial positions have been strengthened; inflation is low and should remain subdued; labour productivity is increasing; resources are being shifted from national defence to investment and consumption."

Mr Greenspan reiterated his view that reductions in long-term interest rates could potentially provide a significant spur to growth and that progress would depend on success in cutting the structural budget deficit. However, in comments on the Clinton plan, he warned Congress against relying too heavily on tax increases. With many programmes growing faster than the tax base, stablising the deficit as a percentage of GDP, not to mention a reduction, would require "ever increasing tax rates." There was thus no alternative but to "control future spending impulses."

He said there was no danger that deficit reduction could be overdone and create an unhealthy degree of "fiscal drag." In the current political environment excessive cuts in the deficit was "nothing I would lose sleep over."

Monetary slowdown easing

By Charles Leadbeater in Tokyo

THE long slowdown in Japanese money supply growth may be reaching its end, according to Bank of Japan figures, published yesterday, which indicate the rate of contraction is slowing.

The broadly defined money supply fell by 0.3 per cent in January from a year earlier, the fifth consecutive month of contraction. However, the rate of contraction has eased considerably in the past few months from a 0.6 per cent fall in October and November and 0.4 per cent in December.

At the same time, the bank's measure of broad liquidity grew by 2.5 per cent from a year before, an unchanged rate from December. Broad liquidity growth has been reasonably stable at between 2.4 and 2.7 per cent a month for the past five months.

The trend in M2, meanwhile, has gradually shifted from a 5.7 per cent month-on-month contraction last September to 1.5 per cent growth in January compared with the previous month. It is not clear what is causing the slight improvement in the money supply growth rate.

It may reflect increased lending by commercial banks, which may gather pace in the wake of the recent cut in the official discount rate to an historic low of 2.5 per cent.

Much of the growth in lending is coming from public sector financial institutions which provide loans and finance for small businesses.

These agencies have had recent sharp increases in their budgets which are just showing through in higher lending.

Dollar at record low against yen

THE DOLLAR closed at an all-time low of Y119.33 in Tokyo yesterday, down 0.74 yen from Thursday, with the Japanese authorities showing little sign of attempting to break the yen's rise against the US currency, writes Charles Leadbeater.

The dollar reached Y119.25 in October when the yen surged amid the speculative turmoil in European currency markets.

The yen has strengthened throughout the week, apparently on rumours that a meeting of Group of Seven finance ministers and central bankers later this month might attempt to engineer an appreciation of the yen to choke off the rise in Japan's politically sensitive trade surplus with the US.

The dollar has also weakened in Tokyo on worries that President Bill Clinton's economic programme, which involves increased taxes and cuts in federal spending, might undermine the US recovery.

However, the surge in the yen is also likely to be due to companies repatriating funds from abroad to improve their finances before books close on March 31. Most Japanese companies are facing their third year of declining profits.

Mr Mamoru Ozaki, the finance ministry's vice minister and most powerful bureaucrat, said there was no need for policy changes to address the strengthening of the yen.

The Japanese government would be happy for the yen to appreciate gradually, in part because this might help to correct the trade surplus. However senior officials at both the finance ministry and the Bank of Japan rule out any concerted effort by the G7 to manipulate exchange rates to reduce the surplus.

Mr Warren Christopher, US secretary of state, leaves the Sphinx and Pyramids after a sightseeing tour in Egypt yesterday. After meeting Mr Christopher, Egyptian President Hosni Mubarak said he had accepted an invitation to meet President Bill Clinton in Washington in early April, writes Mark Nicholson in Cairo.

Opening his Middle East tour, Mr Christopher said he and the Egyptian president had "agreed to intensify efforts" to persuade all sides to reconvene peace talks, which have stalled since Israel's deportation of 415 Palestinians.

But Mr Mubarak appeared to deny Palestinian suggestions that Egypt was championing a new timetable for the return by June of the 396 Palestinian deportees still stranded in south Lebanon. Israel has said it will take back 101 immediately and the rest in a year – a plan the deportees reject.

Mr Mubarak said Egypt still called for Israel's implementation of United Nations resolution 799 demanding the immediate return of all the deportees. "We have no new agenda," he said. "We are working to implement this resolution fully – it will take some time."

Mr Christopher flew on to Amman for talks with King Hussein, the Jordanian ruler.

S African multi-party talks to resume

By Patti Waldmeir in Johannesburg

MULTI-PARTY talks on a new South African constitution will resume early next month, the first such meeting since talks broke down last May over the issue of multi-racial power-sharing.

Two crucial meetings which took place this week – bilateral talks between the government and the mainly Zulu Inkatha Freedom Party, and a meeting of the national executive of the African National Congress – cleared the way for the resumption of multi-party talks. The three parties, and others from across the political spectrum, plan to meet on March 5 and 6 to plan the resumption of full democracy talks.

Negotiators from the government and Inkatha, who ended a three-day meeting yesterday in Natal, said they had made progress on constitutional issues. However, the gap between Inkatha and the ANC – bitter rivals in Natal – remains huge over such issues as devolution of power to regional governments and whether the new constitution should be written by an appointed or elected body.

The government and the ANC have already reached outline agreement on many issues, including a plan to rule together in coalition until the end of the century, and they have made clear they will proceed without Inkatha if it resists their proposals.

Yesterday the ANC launched its campaign for the first multi-racial elections, expected sometime next year, calling on international delegates to a "solidarity conference" near Soweto to contribute funds to the campaign.

ANC officials said they would be discussing their sanctions policy at the conference, and would announce a major shift in policy tomorrow.

● South African police said they were investigating a complaint that former president P.W. Botha had assaulted his gardener.

Gardener Jan Louw accused Mr Botha and his bodyguard of hitting him earlier this month during an argument over whether he had been drinking on duty.

Babangida calls for backing on economy

By a Correspondent in Abuja

NIGERIAN President Ibrahim Babangida yesterday asked the country's private sector leaders to help the government improve the climate for investment and economic growth before the handover to elected civilian rule, scheduled for August.

The appeal comes as rising wage demands in the public sector threaten the government's 1993 targets for spending, further fuelling inflation and money supply growth which are already running at more than 50 per cent annually.

Addressing a two-day economic summit in the federal capital, Abuja, Gen Babangida said: "It would be a rare feat to make a successful transition of democracy with a declining economy."

The summit is seen as a chance to breathe new life into a structural adjustment programme begun in 1986.

Gen Babangida has called on Chief Ernest Shonekan, formerly head of Nigeria's largest trading company UAC, to define a mid-term strategy for the economy to open the way to an Enhanced Structural Adjustment Facility from the IMF and for rescheduling of Nigeria's large external debts.

Chief Shonekan invited business executives to advise the government on the reforms, incentives and policies necessary to attract private sector investment which he said was needed to fund economic growth in real terms of over 5 per cent a year.

He said the summit should address ways of improving competition – domestic savings levels, training and technology, a strong financial system, and an adaptable bureaucracy for responsible citizens under the rule of law.

IMF and Philippines fail to reach accord

By Jose Galang in Manila

THE PHILIPPINES yesterday concluded negotiations with the International Monetary Fund without reaching agreement on a successor programme to the one that is due to end next month.

An IMF team has expressed doubts over growth targets in the government's new plan which had been presented to the fund for financial support.

It had proposed a three-year, programme designed to push the economy toward double-digit growth rates by the middle of the 1990s. The IMF's extended fund facility would be tapped for the programme's financing.

The IMF over the past decade has extended credit support for a series of 18-month programmes for the Philippines. The tight conditions that accompanied them have been criticised for having constricted growth opportunities for the economy.

Under the proposed medium-term programme, the Philippines is targeting an overall growth of 4.5 per cent this year, rising to about 10 per cent towards the end of the present government in 1998. The IMF team that is due to end its Manila visit today sought a lower growth target of 3 per cent at the most.

The talks, according to the two panels, will be reopened in April. However, the IMF, according to officials close to the negotiations, may not be inclined to resume the talks unless the Philippines government is able to secure congressional approval of new tax measures as a precondition.

Also, the IMF wants final implementation of power rates increases that were announced last year by the government, but ordered temporarily frozen by the Supreme Court after oppositors filed a legal suit was filed against them.

NEWS IN BRIEF

US grand jury probes Eli Lilly over rules on drug manufacture

A GRAND JURY is investigating Eli Lilly, the drugs company, in relation to the company's compliance with Food and Drug Administration (FDA) regulatory requirements concerning its manufacturing operations, Alan Friedman reports from New York.

A spokesman for the Indianapolis-based company said Eli Lilly had been informed of a US government investigation that is being conducted by a federal grand jury in Maryland.

The company said it believed the inquiry arose from a 1989 FDA review that resulted in a voluntary agreement between Lilly and the FDA to strengthen the company's manufacturing quality systems.

Mr Robert Williams, Lilly's vice president for corporate quality and environmental affairs, said in a prepared statement that the company had complied with the terms of the 1989 agreement and claimed Lilly's manufacturing quality systems were now "among the best in the industry." He stressed that the government had not questioned the safety or efficacy of any Lilly product in the marketplace. Lilly's share price declined yesterday by $1½ to $50¾ in the wake of the company's announcement.

Boeing cuts workforce by 28,000

Boeing, the world's largest commercial jet manufacturer, plans to cut its workforce over the next two years by 28,000, or 20 per cent, because of the worldwide slump in the airline industry. Patrick Harverson reports from New York.

Although Boeing originally unveiled plans for major job cuts last month when it announced a significant reduction in aircraft production, the scale of the lay-offs was larger than expected. Boeing said this year about 15,000 jobs will be shed in its home state of Washington, 6,000 will go from its operations in Wichita, Kansas, and another 2,000 or more will be cut from various sites across the US. Some 5,000 or more jobs will be axed in 1994. Boeing will employ about 115,000 people when the lay-off programme is complete. See Lex, Page 24

Australian government-union deal

Australia's Labor government announced a wages deal with the unions yesterday that is designed to create 500,000 jobs over three years, Kevin Brown reports from Sydney.

It was dismissed, however, by Mr John Hewson, leader of the conservative Liberal/National Party coalition, and challenger in next month's federal election. "They have had six accords so far, and all that has done is create 1m unemployed," he said.

The accord is intended to speed up the decentralisation of Australia's wage bargaining system by ensuring that most negotiations are based on productivity at plant level.

Peruvian conspirators sentenced

General Jaime Salinas, the ringleader of a group of Peruvian military officers involved in a November conspiracy to overthrow the government of President Alberto Fujimori, has been sentenced to eight years in prison and ordered to pay the equivalent of $300,000 (£206,000) in damages. Sally Bowen reports from Lima.

Four other generals, retired and serving, face prison sentences ranging from four to seven years. Eight other officers were pronounced innocent.

China's HK stance puzzles UK

China's reluctance to commit itself to talks with Britain about Hong Kong's political future has left British diplomats in the colony groping for an explanation, Simon Holberton writes from Hong Kong.

News that Britain and China were talking about talks was leaked to the Chinese press in Hong Kong at the beginning of the week. An announcement that the two had agreed to negotiations was expected by the end of this week.

One British diplomat said: "The general presumption is that the Chinese have differences of opinion within their own camp. Whether they are fundamental or confined to presentation and tactics we just don't know."

Singapore growth prospects up

Singapore's growth projections for this year are likely to be revised upwards following a sharp increase in exports, Mr Goh Chok Tong, the prime minister said.

In November Singapore's non-oil domestic exports grew by 29 per cent.

In an interview with the Financial Times, Mr Goh said he was confident that recovery in the US would be sustained but expressed concern about the possibility of Washington introducing selective protectionist measures which could lead to a trade war.

Ministers fight for EC treaty

By Alison Smith

A RENEWED government offensive to promote the merits of the Maastricht treaty began yesterday as ministers came under fierce attack from the opposition over this week's backtracking on the legal consequences of Labour's amendment on the social chapter.

Even though Monday's embarrassing U-turn seems to have saved the government from the worst danger of defeat by an alliance of opposition parties and Tory Euro-sceptics, ministers still made opportunities to drive home the consequences for the UK of failing to ratify the treaty.

Mr Tristan Garel-Jones, the Foreign Office minister, said the treaty established inter-government co-operation as a framework for community development, and was critical to economic recovery.

"Nobody should under-estimate the body-blow it would be for Britain if we were to take up a semi-detached position as far as Europe is concerned," he warned.

The message will be taken up today in a speech by Mr Douglas Hurd, the foreign secretary. Looking at the prospects for the community over the coming decade, he will emphasise that Maastricht is part of a longer-term game in which it is vital to ensure that the UK remains an influential player. He will set out a European vision of a wider, decentralised, outward-looking, free-trade community – a vision ministers believe can unite the Tory party.

Both Labour and the Liberal Democrats returned to the attack over Mr John Major's refusal to publish the advice from Sir Nicholas Lyell, the attorney-general, which says that acceptance of Labour's social chapter amendment would not affect the government's ability to ratify the treaty.

In a letter to the prime minister, Mr John Smith, the Labour leader, insisted that the reasoning behind the opinion was "a vital piece of information which should not be withheld from parliament".

Mr Paddy Ashdown, the Liberal Democrat leader, accused ministers of showing "a disgraceful contempt for parliament".

Talking of "the fumbling indecision of the government and growing evidence of the lack of integrity of cabinet ministers," Mr Ashdown said he could not see why anyone should trust the government on this issue until it produced its evidence.

The government has already conceded that in future the attorney-general or his deputy should be available at Westminster whenever MPs debate the bill, but the opposition says that is not enough. When discussion resumes on Monday, Labour will call for a new debate on its amendment in the light of the revised legal advice.

Sir Leon Brittan, the EC's foreign trade commissioner, yesterday echoed ministerial warnings about the economic consequences of rejecting the treaty. He also raised the prospect of the UK's being in the slow lane of a two-speed Europe, saying that it would lead to a grouping of nations within the EC "determined to go ahead further and faster, without us, but with a huge influence over our economic future and potentially even our security".

Blair urges 'moral' approach on crime

By Alison Smith

SPEAKING out about moral values and principles is an important element in turning back the rising tide of crime, Mr Tony Blair, the shadow home secretary, said yesterday.

Mr Blair said the community must rediscover a sense of direction and recognise that individuals had obligations towards others as well as rights.

His speech marks a further step in his long-term approach of changing Labour's crime policy, and moving away from old stereotypes of putting the emphasis on blaming society rather than individuals.

"If we do not learn and then teach the value of what is right and what is wrong, then the result is simply moral chaos which engulfs us all," he told Wellingborough Labour party.

Mr Blair said that the "historic problem of old socialism was the tendency to subsume the individual, rights, duties and all, within the ideas of the 'public good', that at its worst came simply to mean the state".

The task, he added, was to rescue the idea of community from the narrow view of the state, and establish a new relationship between society and the individual.

His approach will be carried a stage further on Monday when he will detail Labour's plans for dealing with juvenile crime.

These are expected to include tougher powers for the courts and the provision of more secure accommodation, though not along the lines of the "approved schools" suggested by Mr Kenneth Clarke, the home secretary.

Labour believes that the Tories' record on crime is so tarnished that the party no longer commands the public confidence on law and order that it used to do.

Move to reduce secrecy backed

By Ivor Owen, Parliamentary Correspondent

FURTHER proposals for removing unnecessary secrecy about the activities of civil servants and ministers are expected to be announced before the end of July.

This was revealed in the Commons yesterday when MPs gave an unopposed second reading to the Right to Know Bill. The move was against the advice of Mr William Waldegrave, the minister responsible for identifying areas of excessive government secrecy.

The bill is a private member's measure, introduced with cross-party support by Mr Mark Fisher, Labour MP for Stoke-on-Trent central. It seeks to advance the cause of open government by providing the public with a general right of access to most official records.

The bill, which also requires companies to include in annual reports details of convictions for breaching health and safety regulations, has little chance of becoming law.

Abta deplores rules for holiday bonds

By Michael Skapinker, Leisure Industries Correspondent

QUALITY SKI and Winter World, two ski companies which have collapsed in the past two weeks, had arranged bonds which were insufficient to meet liabilities to customers, the Association of British Travel Agents said yesterday.

Abta said the shortfall of more than £800,000 would be covered by its reserve insurance fund, which now contains more than £4m. Abta said the inadequacy of the two bonds demonstrated the weakness of new government regulations which allow companies to arrange their own insurance outside the framework of travel organisations.

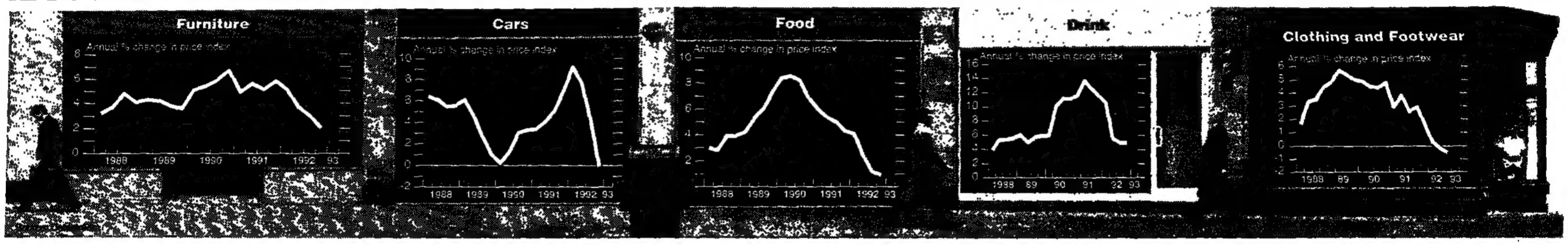
A third ski company, Euro Express of Burgess Hill, East Sussex, collapsed yesterday, but Abta said it believed the company's bond was adequate.

Quality Ski, based in Chesterfield, Derbyshire, and which went into liquidation last week, said customers could take their holidays with Altours, which is not part of Abta. Mr Arthur Smith, Altours' managing director, confirmed yesterday that he had been a director of Quality Ski until last February.

Mr Smith said Quality Ski customers travelling by air were protected by Altours' Civil Aviation Authority licence. He said, however, that Quality Ski customers travelling by coach with Altours were not protected by a bond.

Mr Ian Pinder, Quality Ski's managing director, said 74 of the 80 groups booked to go to France, Italy and Austria during the half-term holiday had elected to travel with Altours. The rest were advised to approach Abta for refunds.

Quality Ski's bond was for £500,000, but Abta believes that the company owes customers more than £1m. Winter World, based in Skipton, North Yorkshire, which collapsed last Thursday, is believed to have a bond of £700,000, but its liabilities to customers are also thought to exceed £1m.



Sterling's devaluation since Black Wednesday is putting pressure on prices for a range of imported goods and materials and threatening to torpedo the government's policy of low inflation. FT writers look at who will bear the brunt of the price effects of devaluation in five key RPI sectors. Will it be retailers, consumers, UK manufacturers or suppliers abroad?

Gloomy noises from food manufacturers

ASK who's bearing the impact of devaluation in the food sector and the industry won't give you a clear answer. But while most supermarket chains are stressing, in public at least, their determination to keep prices down, many food manufacturers are making gloomy noises.

The evidence suggests that prices are being kept down so far. Between September and January, the government's retail food price index rose 1.34 per cent, slightly more than the 1.1 per cent rise in the RPI.

But if leading manufacturers have been taking the impact of higher prices on their margins, they warn they will not do so for much longer. Northern Foods, Marks and Spencer's biggest supplier, plans increases of up to 8 per cent by April to compensate for devaluation, while United Biscuits has announced rises of 5 per cent.

As a net importer of food to the tune of £6.8bn last year, Britain is highly exposed to international price shifts. Sharply higher raw materials costs have forced many manufacturers to revise their budgets.

But other factors are at work that could keep down the average supermarket bill. Plentiful production is helping to hold down prices of fresh products, including salads, vegetables and potatoes. The retail price of pork, in surplus throughout Europe, has fallen slightly since September, says the Meat and Livestock Commission.

Manufacturers and retailers are unsure how far they dare pass on higher costs at a time of weak demand. The recession has made many consumers economise by cutting out luxuries and "trading down" to less expensive products.

The steepest cost increases so far have been for commodities such as beef, sugar and cereals, which are subject to Common Agricultural Policy support schemes. Since September these products – both home-produced and imported – have been hit by a 22 per cent devaluation of the green pound, the currency used in EC farm trade.

The speed at which these increases have shown up on supermarket shelves varies widely, depending on the competitive structure of individual market sectors and the strength of the producers in them.

In sugar, Tate & Lyle and British Sugar – which share a UK market monopoly – have had little difficulty pushing through sharp rises. Poultry breeders have offset a 13 per cent rise in feed prices from devaluation by raising chicken prices by about 6 per cent.

But the price of eggs, in a production glut, has barely budged, while excess capacity and cut-throat competition have so far prevented the big bakers from recouping higher grain costs by raising the retail price of bread.

But eventually someone will have to bear the higher costs. Although neither retailers nor suppliers will divulge details of price negotiations, both sides say they are exceptionally tough.

Industry sources say dominant suppliers with strong brands are securing trade price increases in line with their higher costs. But retailers sometimes insist they hand back part of the gains in special offers and price promotions.

The leading supermarkets have a double incentive to fight to preserve market share – they've invested heavily in new superstores, and are under growing threat from fast-expanding discount chains such as Kwik Save and Aldi.

Faced with these pressures, many suppliers are seeking to absorb higher costs through increased efficiency. UK food manufacturers' productivity improved about 5 per cent last year, and several plan further restructuring.

They are also benefiting from lower packaging prices, due to weaker demand throughout Europe.

Guy de Jonquières and Neil Buckley

Lack of sparkle puts squeeze on drinks market

IT'S not the low pound that's dampened the spirits of drinkers and partygoers. The price effects have hardly filtered through. Thanks to the recession volumes are under pressure and competition is intense. Producers, shippers and retailers have tried to absorb the extra costs rather than raise prices.

Champagne sales recovered slightly last year after a 34 per cent fall in 1991 and champagne houses, facing increased competition from manufacturers of cheaper sparkling wine, are keen to protect themselves in their biggest export market.

Mr Nicholas Strachan, marketing director of Mentzendorff, the wine shippers, says a 15 per cent reduction in the cost of grapes last year has enabled Bollinger to avoid raising prices so far. "However, prices have been largely unchanged for two years, and I think it is unlikely they can be maintained through the second half of this year."

Moet & Chandon has already increased prices by 6 per cent, and others are expected to follow. "But I do not expect anyone to try to recoup the entire cost of devaluation," says one shipper. "It's difficult enough to sell champagne at the moment."

Prices of most French and German wines rose by between 5 per cent and and 10 per cent soon after the sterling depreciation last September. Ms Jayne Bridges of the Threshers off-licence chain says: "When Britain joined the ERM we stopped buying foreign currency forward-payment. As a result, we were caught without cover last September when the pound was devalued while about 100,000 cases were being shipped to us.

"We have absorbed some costs and a few suppliers and agents have done the same. But most of our producers are just too small to do so. The further depreciation of the pound is adding to the strain."

French and German wines have been losing sales to products from Australia and New Zealand, California and South Africa. But abundant harvests in 1992 had been expected to ensure more competitive prices this year. "Devaluation has hit the industry hard," said Ms Tan Harrington, of the German Wine Bureau. "The pressure is to keep prices down, but something may have to give."

Philip Rawstorne

Cost cutting that is part of the furniture

THE general manager of Hartman UK, Mr Alistair Walker, does not mince words when giving his view on the impact of devaluation on the furniture and furnishings industry: "It's been like a kick in the nuts."

Hartman UK is a subsidiary of a Dutch-based group which imports and distributes garden furniture from Holland. The "kick" has been £100,000 – a net loss directly attributable to the exchange rate – which will leave Mr Walker's company "breaking even this year rather than making a profit".

Kicks are also being absorbed in the domestic furniture and furnishings sector. Mr Philip Wain, company accountant in the fabrics division of Parker-Knoll which supplies fabrics woven in British and French mills to department stores around the country, says: "So far we have taken the hit – about £40,000 – ourselves without passing it on."

Throughout the industry distributors and manufacturers are absorbing the extra costs rather than raising prices. If prices have moved, it has been downwards in the midst of the recession and stiff competition.

At Peter Jones in London, a Hartman table was trading at £159 this week, compared with £175 last summer, an example of the discounting that has happened in many department stores recently.

The knock-back effect devaluation is having on foreign companies is illustrated by Business Furniture Holdings, a British company which sells office furniture.

Prior to devaluation the company was importing £180,000 worth of door hinges and steel shelf supports annually from Austria and Germany. It has switched £140,000 of this to a UK supplier, and £10,000 to an Italian supplier. Mr Ivor Bloohn, managing director, estimates he has achieved a 9 per cent reduction in costs.

Silent Night is another company that has achieved small price reductions with its foreign suppliers – between 2 per cent and 3 per cent on bed fabrics from Belgium and beech slats from Germany.

For all the juggling, Silent Night admits it has had to pass on the impact of devaluation to the consumer. According to Mr Barry McKenzie, the company's finance director, the price of some of its bed products have increased since September by between 2 per cent and 3 per cent.

Such increases are the exception rather than the rule in the sector, but manufacturers, distributors and retailers warn that it could become more widespread if sterling remains at its current level and/or there is an upturn in demand.

Mr Walker speaks for his sector when he says: "No one in the long-term can bear more than a 20 per cent devaluation without passing it on ... If sterling stays as it is for the foreseeable future, our pricing policy will have to change ... I think March time could be the crunch."

Jimmy Burns

Clothing industry forced to peg its price increases

DON'T expect the devaluation of sterling to quickly produce higher prices for clothing and footwear. That is the message from retailers, in spite of the very high import content of these products.

Customers will not stand for price increases at present, and shopkeepers, manufacturers and importers accept they must absorb some of the extra costs caused by sterling's tumble.

In some cases this means looking for cheaper sources of supply. For example, the import of cut-price shoes from China last year jumped 60 per cent to 27m pairs. Some British clothing manufacturers have been approached by retailers, such as Woolworths and Littlewoods, seeking quotes for goods normally supplied from the Far East. About 45 per cent of clothes sold in British high streets are imported.

Domestic manufacturers also face an increase in costs. They have little option but to import woollen and cotton fibres and fabrics as well as some synthetic materials.

Mr Colin Purvis, secretary general of the Apparel Knitting and Textiles Alliance, said: "A rough estimate is that about 55 per cent to 60 per cent by value, and 80 per cent by volume, of textiles sold in Britain come from imported materials."

Courtaulds Textiles said the experiences of manufacturers and retailers have been patchy since devaluation.

"Purchases of many finished goods for the 1993 spring selling season would have been agreed with overseas suppliers before sterling's collapse," said the company, which imports small amounts of clothing to supplement its domestically manufactured range.

Marks and Spencer, which buys 80 per cent of its clothing from UK manufacturers, said it would be difficult to pass increases to customers, though some price rises are likely.

The British Footwear Manufacturers' Federation said struggling shoe retailers would not want to pass price increases on to customers. "Retailers will want to buy the cheapest shoe available," it said. "If they cannot get them from traditional manufacturers and importers they will switch to other suppliers from emerging countries such as the Republic of China."

Andrew Taylor

Two-way traffic for motor sector

SUCH is the global nature of the motor industry of the 1990s that devaluation's impact on UK manufacturers, markets and dealers is one of swings and roundabouts.

For big multinationals such as Ford and Vauxhall, the 15 per cent higher cost of importing cars and components from Germany and Belgium is partly offset by exports of UK-built Fiestas and Escorts, plus engines and other components for which the UK is Ford's only source.

For Rover Group, devaluation has mostly been a boon. Of its total £2.2bn annual spending on components, 80 per cent is in the UK and only 11 per cent in continental Europe.

Not only is it benefiting from being more competitive abroad – reflected in the planned doubling of Montego and Maestro output – but its UK dealers have more market leeway because of price rises forced on some of their importing rivals.

Ford's loss-making subsidiary Jaguar can afford a pained smile, too. Heavily dependent on US sales, its losses have shrunk as sterling sank from $2 to under $1.45.

For big component makers, devaluation's net effect is variable – not just because of sterling's widely varying shifts against other currencies.

As part of the globalisation process, GKN, T&N, Lucas and other large components groups have set up a network of overseas plants. In sterling terms GKN is a beneficiary of its German plants serving German carmakers, and of its dollar-based businesses in North Carolina.

Less than a quarter of GKN's output is in the UK, requiring more expensive raw materials. But, as with T&N, much of this output is exported and, with its low-cost UK labour content, more price competitive.

The real crunch is for importers of German cars because recession-plagued Britons do not want to know about the price increases importers need to offset devaluation. Given the market's plunge of 700,000 units to under 1.6m units in the space of three years, they barely want to know about car purchases at all.

As a result BMW's wholly-owned sales subsidiary has struck a novel agreement with its 160 UK dealers.

BMW(GB) has been very profitable, making more than £22m on its 38,000 car sales in 1991 and further profits last year. But the 1992 figures will not reflect devaluation because BMW bought currency forward at a 1992 average of DM2.84. Having obtained cover for this year's first quarter at DM 2.50, it increased retail prices by only 3 per cent in December.

But the pain will be much worse if its next forward buying has to be around DM2.36. So it is insisting that dealers share it by capping their profit margins.

Volkswagen has raised list prices by 7.5 per cent since September. But having taken over UK distribution from Lonrho it wants a substantially larger market share and so is leaving dealer margins unchanged at about 15 per cent.

Nevertheless, this leaves dealers with the same problem as that causing friction elsewhere – including at market leader Ford.

Ford price rises last month left UK-built Fiesta retail prices only about 2.5 per cent higher than early 1992, but those of Escorts are about 7.6 per cent higher and German-built Granadas and Sierras 13 per cent higher.

Mr Alan Pulham, a director of the Retail Motor Industry Federation, says consumers will not tolerate such increases. Even though dealers are being charged more, their effective margins – officially unchanged – are being further squeezed.

Mr Pulham said: "We believe that the time is right for manufacturers to reduce wholesale prices – it is appropriate that questions should now be asked about where and how wholesale prices of new cars are set and achieved."

Manufacturers, he claims, grab 90 per cent of any price increases at a time when car dealers have the lowest net margins of any retail sector.

Manufacturers reject the charges. Mr Ian McAllister, Ford's chairman, points to Ford's big losses in the UK and says no manufacturer can ignore the devaluation and last year's 4 per cent inflation.

John Griffiths

Thoughts of the wise men

Yesterday the seven-man panel of economic advisers to the Treasury made its first report. The main points were:

■ Recovery prospects
Greatly improved as a result of sterling's exit from the European exchange rate mechanism. But much uncertainty about output strength this year, with average forecast of 1.1 per cent growth in 1993.

■ Risks to upturn
None of the panel expects a strong upturn in world economy, with a risk that a big contraction in Europe could depress UK exports.

■ Interest rates
Gavyn Davies and Patrick Minford want further cuts from 6 per cent soon. The other five members would reduce credit rates only if the economy weakens or sterling appreciates, or in response to changes in money supply.

■ Taxes
Tim Congdon wants Budget announcement of tax rise in 1993-94 to demonstrate commitment to tight finances. The others say tax rises in 1993 would harm a recovery though they might be needed later.

■ Credit growth
Broad money and credit growth "may remain depressed" during this year. Panel reckons the "lending capacity of the monetary system may be inadequate to sustain recovery".

■ Unemployment
Likely to rise from 3m to between 3.1m to 3.4m by the end of this year. One panellist, Wynne Godley, thinks the total will climb to 3.6m by the final quarter of 1994.

■ Current account deficit
The deficit is "very large for this stage of the cycle and for most of us this is a cause for concern". The economists think the deficit will reach £15.5bn in both this year and 1994 after £12bn last year.

■ Inflation
Panel thinks underlying inflation (measured by the retail prices index less mortgage payments) will remain inside the Treasury's 1 per cent to 4 per cent target range over next two years.

■ Gilts
Panel wants the government to abandon full funding, allowing gilt purchases by banks and building societies to count towards financing the PSBR. That would help an upturn by boosting the money supply while also cutting long-term gilt yields.

■ Medium-term growth
Four of the seven think UK growth in the 1990s could be above its "sustainable rate" of 2 per cent to 2.5 per cent a year.

The advisers are: Wynne Godley, Patrick Minford, Tim Congdon, Andrew Britton, David Currie, Gavyn Davies and Andrew Sentance.

GMTV recruits TV-am saviour

By Neil Buckley and Angus Foster

GMTV, the breakfast television station, is bringing in Mr Greg Dyke, who saved the ailing TV-am in the 1980s and made Roland Rat a household name, to spice up its programmes and woo more viewers.

In spite of disappointing ratings, Mr Dyke, who succeeds Mr Harry Roche as non-executive chairman, insisted there was "not a crisis" at GMTV.

He said: "GMTV's performance has been satisfactory although clearly not as strong as had been hoped for. Audiences are 15 per cent less than wanted, but we can improve them."

He added that when he joined TV-am in 1983, audiences were 200,000 and the channel had "only two adverts". GMTV, he said, was attracting nearly 2m viewers.

But the station carries the burden of its hefty £34.6m franchise bid, which it must pay annually to the Treasury, together with 15 per cent of revenues. It has lost viewers since taking over from TV-am at the start of the year, and faces fierce and unexpected competition for viewers from Channel 4's off-beat Big Breakfast. City analysts are forecasting operating losses each year until 1996.

The programme last week replaced anchorman Mr Michael Wilson with Mr Eamonn Holmes. It has also signed up a cartoon based on characters from the Super Nintendo video game.

Mr Dyke refused yesterday to talk about personnel changes or specific plans, but said he had "lots of ideas. TV is about good ideas".

He hinted that the much-vaunted "F-factor" of GMTV's presenters might start to stress "family" rather than "fanciability". He said: "What we want is a family of people who like each other and the audience like them."

Ashley Ashwood

The man who made Roland Rat a household name: Greg Dyke insisted yesterday that there was not a crisis at the new TV station

C4's Big Breakfast said yesterday that Mr Dyke was wrong to dismiss it as a programme for "kids", as young audiences were attractive to advertisers.

Former associates emphasised Mr Dyke's abilities and "instinctive understanding" of television, but said his non-executive role at GMTV would be different from that at TV-am, where he was editor-in-chief.

He will continue as chief executive of LWT and chairman of the Independent Television Association.

Mr Dyke, 46, who made his name at LWT with programmes such as the London Programme and Weekend World, boosted audiences at TV-am to more than 1m. TV-am later became one of the world's most profitable TV companies.

His tactics included promoting the Roland Rat puppet, and presenters such as Nick Owen and Loyd Grossman. Other innovations included a dieting Diana Dors, Star Fantasies - a sort of adult Jim'll Fix It, and Star Forecasts

He would have been a favourite for the job of ITV's central scheduler were it not for "golden handcuffs" keeping him at LWT – share options which are expected to make him a millionaire when they become exercisable later this year.

Mr Dyke refused to discuss GMTV's financial position yesterday, saying it was too early in the year to draw conclusions. The company still hopes to make an operating profit.

However, stock market and media analysts said GMTV, whose shareholders are Disney, LWT, Carlton, Scottish TV and the Guardian, was unlikely to meet its business plan forecasts for advertising revenues of about £80m-£90m this year.

Ms Christine Walker, chief executive of media specialist Zenith, a subsidiary of Saatchi & Saatchi, said GMTV's revenues this year are likely to fall to £60m. "The Big Breakfast and satellite are acting as a pincer movement against GMTV," she said.

According to Zenith's analysis of BARB's adult viewing figures, GMTV's audience share in January fell more than 20 per cent compared with January 1992.

GMTV has been able to cut costs compared with TV-am – for example by reducing staff and contracting out news services. However, several analysts believe the station's high annual franchise fee, which is index linked, will push GMTV into a loss by the year end.

Before yesterday's announcement, stockbrokers James Capel were forecasting 1993 revenues of £81m and a pre-tax loss of £3.8m. Capel said GMTV would make operating losses until 1996, and pre-tax losses until 1997.

CSO combats leaks of official data

By Gillian Tett and Alison Smith

MINISTERS and officials will have their access to to economic data restricted ahead of official release, government statisticians said yesterday.

The changes will reduce the number of those who receive figures before publication and the length of time statistics are available to departments in advance of publication.

The move, presented as part of the government's drive for greater openness, reflects a desire to boost the integrity and independence of the statistics, which are felt to have suffered from leaks.

Even where details of market-sensitive information are not made available, its general tenor can emerge. On Tuesday night, for example, Mr John Major hinted that the official figures for retail sales, published on Wednesday, would confirm a sustained upturn in consumer confidence.

Under the plans announced by the Central Statistical Office, the independent body which issues most government economic statistics, ministers and officials will usually have only 1½ days to view data ahead of official publication – instead of up to nine days as at present.

In addition, the number of government employees with advance access will be sharply reduced although ministerial access will be less affected.

The provisional retail prices index is now given to the chancellor and other officials nine days before publication, and export figures six days before publication. Producer prices figures, which are circulated to nine ministers and 23 officials, are released up to three days before publication.

The move marks an attempt to exert tighter control over release of market-sensitive trade and business information. Mr Norman Lamont, the chancellor, agreed the change with Mr Major, and other ministers were informed at cabinet on Thursday.

The main initiative has come from the CSO, which has been stung by allegations of leaks and statistical massaging. "There is certainly a very bad public perception problem," Mr Bill McLennan, director of the CSO, said yesterday.

He said he hoped that the changes would lead government departments to tighten their practices but said the CSO was powerless to force the government to curb leaks.

A provisional estimate of GDP will be published 3½ weeks after the end of the quarter - four weeks earlier than at present.

Several economic statistics remain unaffected by the changes – the CSO has no role in the publication of unemployment figures. Although it has joint responsibility for the public sector borrowing requirement figures, together with the Treasury, the proposals will not immediately affect the publication of PSBR figures.

The Treasury said yesterday it broadly supported the proposals although they could cause "mild inconvenience".

Power deal may aid coal rescue

By David Owen and Michael Smith

A DEAL struck last week between the regional electricity companies and the main power generators in England and Wales may have eased the government's predicament as it struggles towards a coal rescue package.

The deal over thermal efficiency rates written into long-term contracts tentatively agreed last month should result in better margins for National Power and PowerGen than would have applied if assumptions in the existing contracts had remained unchanged.

This may in turn encourage the generators to view with less hostility the government's insistence that they finance the stockpiling of an extra 15m tonnes of domestic coal.

Leaked correspondence dating from February 4 and 5 between Mr John Baker, chief executive of National Power, and Mr Michael Heseltine, trade and industry secretary, indicated that there was a virtual impasse.

The deal on efficiency is understood to have been reached five days later on February 9 or 10. "No doubt the government is seeing this as useful," said an individual familiar with the negotiations.

"The concession the Recs [regional electricity companies] made was against the backcloth that the generators were being pressed to take additional coal tonnages," said another.

The agreement is favourable to the generators because they would be deemed to have consumed less raw material per unit of electricity produced.

Efficiency improvements achieved over the past three years by closing inefficient plant means that assumptions written into the present contracts have fallen increasingly out of line with true efficiency levels and have contributed to the generators' excess coal stocks.

Under the new agreements, due to come into force in April, the Recs would take about 5 per cent more electricity than under the old arrangements.

It is thought that the deal depends in effect on the government's successful preparation of a white-paper package capable of placating enough rebellious Tory backbenchers to secure its Commons majority.

Patten concedes on tests

By John Willman, Public Policy Editor

MR John Patten, education secretary, yesterday moved to defuse controversy over this year's compulsory English tests for 14-year-olds in England and Wales.

While the tests will go ahead as planned, the results will not be published in school league tables. However, national totals will be compiled, allowing parents to compare their children's performance with the national average.

While the move was welcomed by moderate teachers' unions, the two largest unions, the NUT and the NASUWT, said that they would continue balloting members over boycotting the tests.

Teachers' unions had claimed that the tests, to be taken for the first time in June, had been inadequately prepared and that material for them had arrived at schools too late.

The announcement that the results of the tests would not be included in schools performance tables appeared to have detached the moderate unions from the opposition camp.

Mr Peter Smith of the Association of Teachers and Lecturers described the decision as "statesmanlike". He said it was evidence that Mr Patten had heeded fears expressed over the tests in a meeting with teachers' unions earlier this week.

Mr David Hart of the National Association of Head Teachers said the move met his union's main objection. "It effectively converts this year's tests into an unpublished national trial," he said.

Mr Patten also published consultation documents setting out the government's plans for this year's performance tables for schools and colleges. The league tables will cover 4,000 state secondary schools and 19,000 primary schools. For the first time they will also cover 2,000 independent schools, and 470 sixth-form and further-education colleges.

The tables will include national curriculum test results; GCSE, A-level and AS-level examination results; vocational examination results and truancy rates.

In a concession to independent schools, schools will be able to include GCSE exam results taken up to three years before the age of 16. This year, only results in the previous two years could be included which meant that some schools that entered pupils very early for GCSEs appeared to have fewer pupils with five or more passes at grade C and above.

IN a survey of 10,000 students leaving school and entering further education colleges, 40 per cent needed some help with basic literacy and numeracy to gain qualifications, equivalent to four GCSEs.

Examples of the test questions included:

- If 12 people drink three cans of Coke each, how many cans do they drink altogether?
- How many square metres of carpet do you need for a room measuring 4m by 3m?

The survey was carried out in November by the Adult Literacy and Basic Skills Unit, an independent government-funded organisation.

Nalgo to restrict outlay on strike pay

By Lisa Wood, Labour Staff

NALGO, the local government union, is to restrict strike pay by sticking more strictly to its rules after emergency funds were depleted last year.

Disputes in three London branches – Islington, Newham and Camden – cost £9.5m last year. The national strike fund is estimated to stand at £17m.

The move is in anticipation of a flurry of industrial action this spring. The union's local government group meeting earlier this month pledged to oppose the government's 1.5 per cent pay ceiling and any compulsory redundancies. Branches are likely to ballot next month on whether to stage a one-day strike.

The national emergency committee has told branches it will stick rigidly to its guidelines under which strikers can be paid the equivalent of their full take-home pay.

New cancer drugs show promise

By Clive Cookson, Science Editor

THREE new approaches to cancer treatment are giving promising results in early clinical tests, an oncology conference in London was told yesterday.

All three result from collaborative research involving Scotia Pharmaceuticals, a UK-Canadian drug company, and university medical centres in the UK and overseas.

Potentially the most far-reaching treatment is a tumour-killing drug, EF13, which Scotia described as a "magic bullet" which could destroy cancer cells without harming normal tissues.

Preliminary clinical trials indicate that the drug may double the survival time of patients with late-stage pancreatic and breast cancers.

The doctors involved, however, are wary of making extravagant claims for what is still an experimental drug. "EF13 seems to have important therapeutic effects without harming the patients," said Mr Ken Fearon from Edinburgh University's department of surgery. "It really is different from anything else available."

Dr David Horrobin, Scotia chief executive, said EF13 was developed not to be a more potent cell killer than other cancer drugs but to be free of the toxic side effects which make conventional chemotherapy so unpleasant. It is similar chemically to Evening Primrose Oil which has until recently been the main source of income for his company.

The second new drug, EF27, reduces the harmful effects of radiotherapy. Trials by the Radiobiology Research Group at Oxford's Churchill Hospital show that the drug can protect normal tissue from radiation damage while enhancing the damage caused to cancer cells.

The third drug, EF9, is a light-activated chemical designed to improve a form of cancer treatment known as photodynamic therapy. EF9 destroys cancer cells when the tumour is illuminated by laser.

If the treatments continue to show promise they could be available commercially within three or four years.

Business magazines derecognise unions

By David Goodhart, Labour Editor

THE WAVE of union derecognition by magazine publishing companies continued yesterday with the announcement that the NUJ journalists' union and the GPMU print union will no longer be recognised at several business magazines recently acquired by the publishing group Emap.

Both unions said they were considering legal action on the grounds that they had not been consulted about Emap's takeover of 14 Thomson business magazines, in breach of the European Community Acquired Rights directive. About 200 employees will be affected.

Emap has derecognised unions in most parts of the organisation. Reed Elsevier, the biggest magazine publisher in Britain, and Morgan Grampian have also recently derecognised unions.

OBJECTORS to the planned destruction of part of Oxleas Wood in south-east London, pictured above, to make way for a motorway link to the East London River Crossing were defeated in the High Court yesterday. Greenwich borough council and nine London residents claimed that the wood, almost the last ancient woodland in London, was a "national treasure". The court rejected their claim that the motorway decision was unlawful and unreasonable. The objectors said they would appeal if they could raise enough money. *Picture by Trevor Humphries*

Airport bids for chess match

MANCHESTER Airport yesterday lodged a bid to sponsor the World Chess Championship in August between Nigel Short, the British challenger, and Gary Kasparov, the champion, **Ian Hamilton Fazey** writes.

The match would be staged in Manchester's Royal Exchange Theatre, built on the disused trading floor in the city centre.

The sealed bid to the world governing body of chess is believed to be in the region of £2m.

Manufacturers cut stocks

MANUFACTURERS decreased their stocks of finished goods, materials and components by a provisional, seasonally adjusted £361m in the final quarter of last year, the Central Statistical Office said yesterday. The decrease follows small rises in stocks in the second and third quarters and may indicate better demand from customers.

Trafalgar House closes Clyde yard

TRAFALGAR House has closed the Scott Lithgow construction yard at Port Glasgow on the lower Clyde because of a lack of orders in the offshore fabrication industry.

The former shipyard, which last April employed 900 people, has had almost no work since November. The yard is for sale as a going concern and employs 24 people.

Newspaper awards

NO newspaper was chosen as the Newspaper of the Year in this year's What the Papers Say Awards, it was announced yesterday. Ms Maggie O'Kane of The Guardian was named journalist of the year and Mr Will Hutton of the Guardian was named political journalist of the year.

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Bill Clinton, the gambler

PRESIDENT Bill Clinton, after a fumbling transition, can feel pleased with himself and his first month in office. The international reaction to his bold budget proposals, apart from a few understandable equity market flutters, was positive, and the initial US popular response has been enthusiastic. This is no small feat. It comes as no surprise that America's partners have welcomed what appears, at last, to be a serious attempt to close the US budget deficit. More surprising is the apparent support of middle America for a package that raises taxes on middle-class Americans.

The US deficit is mainly a domestic political issue for Mr Clinton, and a risky one too. So the most significant endorsement of Mr Clinton's budget package came from Mr Ross Perot, erstwhile presidential candidate and number one US deficit-hater. Of course, the four-year package of tax increases and spending cuts did not go far enough for Mr Perot's liking. The president plans to raise taxes by about $240bn over four years and make net spending cuts (after allowing for a $160bn boost to public investment) of about $80bn. It is projected by the White House to halve the budget deficit from $332bn or 5 per cent of gross domestic product this year to 2½ per cent of GDP ($206bn) in 1997, which would still be a drain on national savings.

Mr Clinton will have his work cut out if he is to force the package through Congress and ensure that he is still in the White House to celebrate the meeting of these targets at the start of his second term. The Republican opposition was predictable: more tax and spend economics from a Democrat politician. More worrying for nervous Democrat senators, some of whom face congressional elections next year, are the political ramifications from increasing taxes on middle-income voters.

Higher taxes

Some 70 per cent of the increase in taxation will come from people earning over $100,000 a year, largely through a new top-income tax rate of 36 per cent for couples earning more than $140,000 in taxable income and a 10 per cent surtax on taxpayers earning more than $250,000. But the energy tax and other tinkering mean that the great bulk of American households – all families with incomes of more than $30,000 a year – will pay higher taxes as a result, breaking Mr Clinton's mistaken campaign pledge not to raise middle class taxes.

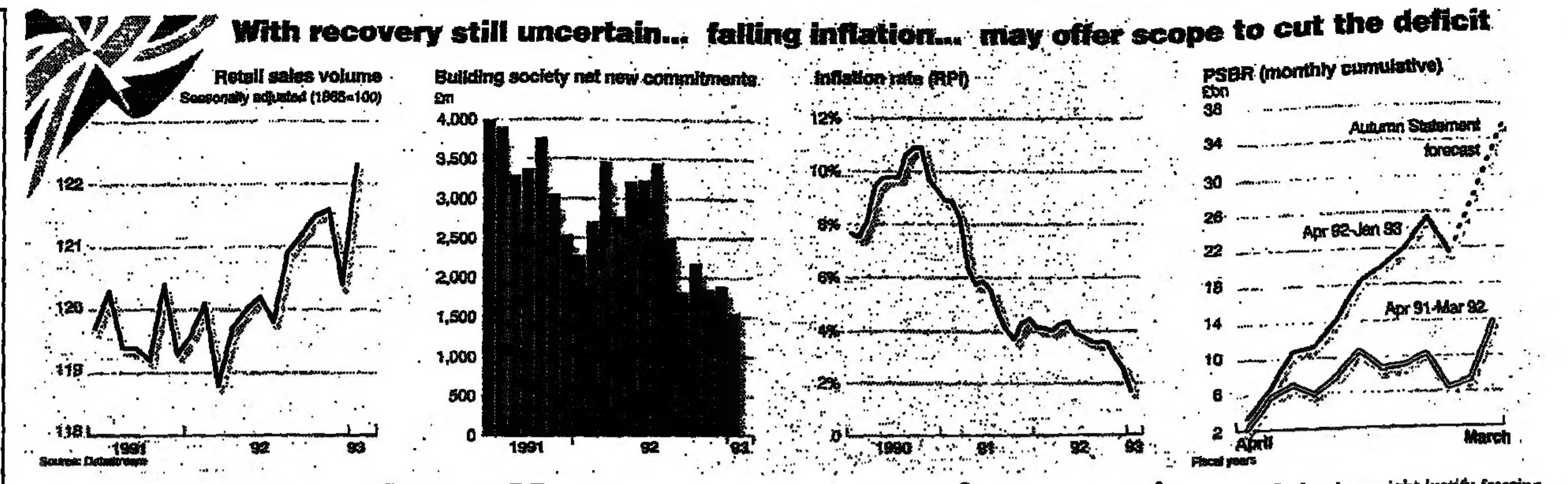
Yet the fact that the opinion polls show widespread popular support for the package, and the popularity of Ross Perot's kitchen sink economics, may indicate a new realism among middle-class Americans. The need to raise taxes, as well as cut spending, in order to close the budget gap is clear; and Americans are currently asked to pay a relatively low proportion of income in taxes to state and federal government. Mr Clinton's package would raise taxes by over 1 percentage point of US GDP, but from a base of a little over 30 per cent compared to more than 40 per cent in all the main west European countries.

Economic recovery

Mr Clinton also has the luxury of an economic recovery, a fact confirmed by the optimistic testimony to Congress yesterday from Federal Reserve chairman Alan Greenspan. A good economist but also a shrewd politician, Mr Greenspan will not trumpet the fact that the credit for this recovery rests with the cuts in interest rates that the Fed has delivered over the past few years rather than with Mr Clinton. But the president, who is probably a shrewder politician than economist, will happily claim the credit for his medium-term budget consolidation and short-term fiscal stimulus, worth $30bn over the next two years. The medium-term effect of the budget package may be slightly deflationary as consumers rein in consumption to pay higher taxes. But if, despite its structural problems, the US economy can deliver higher employment and higher real wages over the next three years, then Mr Clinton may get away with his tax increases.

The most significant international effect of the package will be felt on world long-term interest rates. Long-term US interest rates fell by 0.1 percentage points over the course of last week as the scale of the Clinton package became clear. They have fallen by a full ½ point since November's election. The rest of the world can only hope that the beneficial effects from lower long-term rates, and a US recovery, are not outweighed by a US shift towards protectionism as Mr Clinton bargains with Congress in order to see his budget proposals enacted.

Yet the main obstacle to European growth is short-term European interest rates. Lower long-term interest rates will be the trophy that the US delegation will bring to next weekend's meeting of finance ministers from the G7 group of leading industrialised countries; and a reciprocal cut in European interest rates will be its aim. Treasury Secretary Lloyd Bentsen will rightly receive the praise of the G7 for starting to bring the US deficit under control. Sadly for the US and growth-starved Europe, he is likely to get little in return.



Peter Norman says signs of economic recovery are pushing the UK chancellor into a fiscal dilemma

To tax, or not to tax . . .

Oddly enough, the past week has been a relatively good one for Mr Norman Lamont.

Although UK unemployment burst through the 3m mark in January, other economic indicators have mitigated some of the gloom that settled over the country last month.

But it is a measure of the difficulties facing the chancellor that no sooner do the economic skies lift a little than the debate switches to the other huge problem in his in-tray. Britain's growing public deficit casts a long and dark shadow over government economic policy. Every sign that the economy might be improving brings forward the question of whether Mr Lamont's third Budget on March 16 should be the occasion to start increasing taxes to cut the deficit.

The chancellor has had conflicting advice at the highest level over the past week. While the board of the International Monetary Fund has urged Britain to tighten fiscal policy, six of his seven-man panel of independent economic forecasters, the Seven Wise Men, yesterday urged him not to raise taxes in the Budget.

However, all economic commentators agree that the UK's projected public sector borrowing requirement of £37bn in 1992-93 or 6.25 per cent of gross domestic product is unsustainable in the long term. Although deficits of £37bn, or the £50bn widely expected for 1993-94, may be acceptable in a recession, borrowing on this scale will push up the country's debt service burden and eventually force the government to cut public spending or raise taxes.

Mr Lamont has big decisions to take next month. If he tightens policy too soon, he could go down as the man who aborted the long-awaited recovery. If he allows the deficit to grow out of control, history might judge that he condemned Britain to Italian-style fiscal laxity. He has presided over a dramatic easing of policy since September, with sterling devalued by 15 per cent and bank base rates down to 6 per cent from 10 per cent. But Mr Lamont's judgment will hinge crucially on his assessment of present conditions in the UK economy, where the evidence is mixed and confusing.

The best that can be said of the economy is that developments are still consistent with the Treasury's Autumn Statement forecast of a meagre 1 per cent growth this year. At the Bank of England, economists still regard the economy as "bumping along the bottom" of the business cycle.

Some encouraging news emerged over the past week. Retail sales, helped by heavy discounting, increased in volume by 1.6 per cent in January, reversing a 1 per cent fall in December. But even here, the tale was not one of unalloyed joy. Seasonally adjusted sales in the three months to January 31 were up by only 0.2 per cent in volume compared with the previous three months.

There is little sign of recovery in industry. Manufacturing output inched ahead by less than 0.1 per cent between November and December while output in the three months to December was down a seasonally adjusted 0.2 per cent compared with previous three months.

On the other hand, manufacturing productivity has risen sharply, with December's 6 per cent annual rate of growth marking the highest year-on-year rise since April 1989.

Every sign that the economy might be improving brings forward the question of whether the Budget should be the occasion to start increasing taxes

Higher productivity reflects the past bad news of sharply rising unemployment among manufacturers. But by helping to keep costs under control, it holds out hope for the future. Manufacturers' unit labour costs fell by 0.5 per cent in December compared with a year ago and were flat in the three months to the end of December, easing the impact of the higher imported fuel and raw material costs that have followed sterling's devaluation.

Not surprisingly, indicators of business confidence have shown an increase in optimism in recent months. However, measures of consumer confidence and bank and building society lending are far less robust.

In the housing sector, there has been the familiar mix of good and bad news. Estate agents polled by the Royal Institution of Chartered Surveyors have reported that house sales continued to improve after Christmas and new year. However, the Building Societies Association said that net new commitments – mortgages promised by lenders – fell by about 18 per cent between December and January and were sharply down on the level of January last year. Gross mortgage lending fell to £1.8bn in January from £2.1bn in December.

Monetarists also have reason to feel confused. M0, the narrow measure of money supply which consists mainly of cash and bank notes and which is targeted by the Treasury, breached its 0 per cent to 4 per cent annual growth range last month when it rose by an annual 4.1 per cent. However, M4, the broad money measure that includes bank and building society deposits and which should reflect the credit granting of such financial institutions, has been very subdued. Broad money grew by only 3.2 per cent in the year to January, its lowest growth rate since records began.

But the "M"s, in so far as they are telling a story of divisions in society, probably contain the best clue as to what is happening in the economy and how Mr Lamont will approach the Budget.

The Treasury believes that strong growth in M0 parallels the rise in high street spending. Many in work or retired have cash to spend and have been making the most of the bargains in the shops. The unemployed also tend to live in a more cash-based world.

M4's weak performance may be evidence of the continued damage caused by debt deflation, or the erosion of wealth by falling asset prices. According to the Bank of England, more than 1.5m households have negative equity after falling house prices have put the value of their homes below the level of their mortgages.

The Bank thinks that debt deflation is the reason why the recession has lasted so long. Its analysis suggests that it would be wrong to pin recovery hopes on increased spending by the heavily indebted. Instead, recovery in the housing and other markets may have to wait until households without debt problems have the courage to borrow and buy assets at bargain prices.

The problems of debt deflation and the housing market will probably count against any radical reform of the tax treatment of mortgages in the budget. Mortgage interest relief is a natural target for a chancellor such as Mr Lamont, who fancies himself as a tax reformer and favours tax neutrality – the principle that taxation should not distort economic activity or favour any special group. Mortgage interest relief contradicts this principle and is expensive (costing the Treasury an estimated £5.2bn this financial year). Although there are good arguments for targeting tax relief on the first-time buyer, who is so crucial in setting up "chains" of house sales, the chancellor would be brave to tamper with existing arrangements before having clear evidence that house prices have stopped falling.

Instead, Mr Lamont may draw inspiration from the recent sharp fall in inflation to find relatively painless ways of raising revenue. The drop in retail price inflation to 1.7 per cent last month is genuinely good news.

Some economists believe that the annual rise in the "headline" retail prices index could fall to 1.3 per cent this spring, or half December's 2.6 per cent rate of inflation which will be used as the basis for indexing tax allowances and thresholds in the Budget.

Such a drop might justify freezing some or all of the tax allowances which apply before Britain's 20, 25 and 40 per cent income tax rates take effect. If Mr Lamont kept all income tax allowances frozen at 1992-93 levels he would save £750m in 1993-94.

Low inflation may also give the chancellor some leeway to widen the value-added tax net, although he must take care that the resulting upward pressure on prices does not breach the upper limit of the 1 per cent to 4 per cent target range for underlying inflation.

Britain and Ireland are the only European Community members which zero rate VAT to any extent: in Britain's case zero rating applies to about 24 per cent of consumer spending. It would be both politically inept and socially unjust in a recession to impose VAT on food, where zero rating rather than levying the 17.5 per cent standard VAT rate costs the exchequer £7bn a year.

But there are other areas where the case for zero rating or VAT exemption is less clear. Exempting private education and finance and insurance from VAT respectively cost the government £600m and £2.7bn a year compared with the standard VAT rate. Zero rating international passenger transport leads to a revenue loss of £800m. The exchequer loses £1.1bn through zero rating books, newspapers, magazines; £700m on water and sewerage services and £500m on ships and aircraft. Domestic passenger transport (cost £1.1bn) or domestic fuel and power (cost £2.6bn) are also zero rated.

Nobody is suggesting that Mr Lamont is contemplating swingeing tax increases in the forthcoming Budget. Indeed his Budget judgement will be very finely balanced. But the examples of zero-rated VAT and VAT exemptions give an indication of areas where the government might over time bolster its finances, perhaps by introducing a lower rate VAT in line with continental practice.

As he settles down to weigh the evidence before making his strategic decisions for the Budget, the chancellor may reflect on events across the Atlantic, where President Bill Clinton this week won strong initial support for his package of tax increases and spending cuts to reduce the US budget deficit.

Although Mr Lamont believes in a low taxation economy, he also knows that the continued high deficits in the US and Italy over the past decade have done nothing to improve the economic performance of those countries. Their experience is a strong argument for starting to correct the UK's budget deficit next month.

MAN IN THE NEWS: ***Bill Clinton***

Smoother after a few days' growth

The US president has risen in stature since his successful state of the union address, writes **Jurek Martin**

President Bill Clinton was so smooth and eloquent in his state of the union address on Wednesday night that most people must have assumed it was either the result of hours of practice or reliance on the teleprompter or both. Keen students of the Clinton speechmaking technique thought they detected some typical extemporisation. But against the press of deadlines and with advance copies of his text unavailable until moments before delivery there was little crosschecking between what he said and the official script.

The local correspondent of the Economist, however, is on sabbatical. Like most journalists in Washington with a moment to spare, he was in a TV studio preparing to comment on the president's address and he had a text in front of him. He calculates that up to 30 per cent of what Mr Clinton actually said was made up as he stood there. Whole sections – including one beautifully calibrated passage on the economic and social imperatives of healthcare reform – were nowhere to be found in the written text, at least not until the White House released the version as delivered afterwards.

Speechmaking is an important ingredient of the politician's art and, when on form, which is normally late in the day, Mr Clinton can be better than most. But lots of fine politicians have the rhetorical ability of newts. What marks Mr Clinton out is an ability to be rhetorically turned on not only by the emotion of the moment but also by subjects, such as rural electrification, community block grants and ad valorem taxes, which normally render most speakers unintelligible and send most audiences to sleep.

This can only be the result of his being what he is – a policy "wonk". All the evidence is that he was involved in every minute detail in the 50 hours of meetings that preceded Wednesday night. So consuming was his engagement that up to hours before he spoke amendments were still being made to the plan by the man himself, thus explaining why the government printing office simply could not get out the full supplementary documentation until the following morning.

He is not the sole policy wonk in his new Washington regime. His wife, Hillary Rodham Clinton, is another, as members of Congress and others are rapidly discovering as she pursues her investigation into healthcare reform. She is also not without political tact and charm, as witnessed by the fact that she invited to sit next to her on Wednesday night Alan Greenspan, chairman of the Federal Reserve, and John Sculley, the Apple computer mogul. Neither of them looked the least bit uncomfortable as, it can only be assumed, she discoursed on M2 and MS-Dos.

Another in his element, and also delivering a virtuoso, though off-camera, performance earlier on Wednesday, is Leon Panetta, the director of the budget. He rattled through the whole Clinton programme for the benefit of the media, pretty much without notes and with constant asides to obscure congressional budgetary authorities and federal programmes with acronyms from hell. (Try LIHEAP – low income home energy assistance programme – for size).

This was, of course, his meat and potatoes for many years in Congress, as it was Lloyd Bentsen's. But the new treasury secretary, following Mr Panetta to the podium, made no attempt to compete, confining himself to a couple of folksy and funny anecdotes before driving up to his old milieu on Capitol Hill to do some serious arm twisting, at which he excels.

This week, indeed, saw the true soul of Bill Clinton and his administration. There are still serious doubts about his resolution and his slipperiness – and still more about his ability to get through Congress all or even most of what he has set forth. There may well also have been some sleight of hand, some artful juggling of numbers, in the programme he presented.

But there should be much less doubt about his convictions. The bottom line for Mr Clinton is that he was elected to change the way the country is run. He defines his mandate for change not as the measly 43 per cent of the vote that he won last November, the second lowest winning percentage this century, but as the 62 per cent that he and Ross Perot combined to score in reaction to the status quo.

As he put it on Wednesday, "unless we have the courage now to start building our future and stop borrowing from it, we're condemning ourselves to years of stagnation, interrupted by occasional recessiuons, to slow growth in jobs, to no more growth in incomes, to more disappointment." Apocalyptic it may sound, but oversell is a proven technique.

Second, he came to the office with the firm conclusion that if he was to achieve anything of substance it had to be laid out from the very beginning. This is always any new president's greatest window of opportunity. The chances of Congress agreeing to tax increases and serious spending cuts diminish as mid-term elections approach. If, as happens more often than not, the president's party in Congress loses seats in the mid-terms, then the third year of an administration becomes inauspicious for big initiatives unless early victories have been won.

Third, he can be simultaneously politically ingenious and ingenuous. Until a week ago, the latter characteristic appeared to predominate as he floundered around trying to find an attorney general and to get the military to accept homosexuals. But it was ingenuity of no small order to challenge the Republicans to come up with bigger and better spending cuts than he had proposed and also to say that "if we do right by this country, I do not care who gets the credit for it."

Mr Clinton's convictions are also not those of the conventional "tax and spend" big government Democrat of conservative demonology, though he may be more inclined to tax in what he sees as a necessary cause than cut spending with the same aim in view.

Critics of his package have noted that it constitutes a significant retreat from an early promise by Mr Panetta and Mr Bentsen to try and find $2 in spending cuts for every $1 in new taxes. Mr Panetta claims an equal division over four years but the hard numbers look more like a ratio of $2 in cuts for $3 in taxes.

Mr Clinton's departure from the Democratic norm is that he believes in both government and the private sector in more equal balance than his predecessors. As he put it on Wednesday: "tonight I want to talk to you about what government can do because I believe government must do more." But, having taken away the Reagan legacy in 19 words, he gave some of it back in his very next sentence. "But let me say first that the real engine of economic growth in this country is the private sector."

Mr Clinton can, and does, wax eloquently about the virtues of small business, in particular, though not overpaid corporate fat cats, just as he does about the nobility of employment as compared with the dependence of welfare. "I pledge to you that I will do my best to see that business and labour and government work together – for a change." In this respect he freely contrasts what the US, in his view, does wrong and what Germany and Japan have done right.

It was significant, therefore, that after the opening rhetorical ruffles and flourishes, the first segment of his address on Wednesday night was devoted to the cause of making business more competitive, with government help by way of investment incentives, a better trained and educated workforce and infrastructural improvements. The bleeding heart stuff, movingly as it was rendered, came later. The tax element, surely the most controversial, came last.

As he has taken his campaign around the country in the past 48 hours, it is interesting to note that he presents his arguments to ordinary people in a very similar and detailed way. He may, for populist purposes, dwell a little more on the evil ways of lobbyists and other "naysayers" but he sees no reason to shy away from the fact that he probably knows his brief better than anyone in his government, including Mr Panetta. He does not talk down to people and he is a very good listener.

This week, he is basking in the glory of general approbation, with the opinion polls favourable, Ross Perot offering qualified support, the Republicans on the defensive, and the Washington pundits prepared to give him his due. There were even the first kind words from Brussels and Tokyo which must also please a president who is known to believe that the greatest single contribution he can make to international prosperity is to put the domestic house in order, as America's friends and allies have been urging for years.

Yesterday, a leader in the New York Times, previously as hostile to Mr Clinton as it was to the last two southern presidents, LBJ and Jimmy Carter, praised his "vision" and wrote: "presidents must seem to grow larger in office. By that standard Wednesday evening was a plus for Mr Clinton and the nation." Cautiously it added, "it is too early to rejoice."

But Mr Clinton would agree with the caveat and knows this week's euphoria will not last. He has privately told visitors in the past week that he was confident enough in his programme and in his own performance to expect good initial reviews, but that soon the fight will really begin. This is when he is really going to have to show his leadership and sell his convictions.

Nobody's a Nice Guy now

John Lloyd on Russia's political battles and ruined economy

The mood in Russia and its sister states of the former union is hardening. It is now each state, each region, each individual for himself: the forced, and in part real, equalisation of both scarcity and provision under the old communist system gives way to a Darwinian struggle which grows more feral.

This is the atmosphere against which the battle for power in Russia is played out (similar battles go on all about its periphery): it means that the "constitutional debate" has less of the legislative chamber and the study about it, more of the whiff of rifle oil and the rumble of tank tracks. Everyone – Mr Boris Yeltsin, the president, Mr Ruslan Khasbulatov, the parliamentary speaker, their supporters and ideologues, proclaim that the price of failure to agree is chaos, dictatorship, the end of another Russian experiment with democracy, of which the longest was the period 1905 to 1917. They then continue to ensure that no agreement can be reached.

The battle is over the constitution, but the field is the ruined post-Soviet economies. With no end to the crises in any of the former Soviet states, the richer are doing what the rich usually do with the poor – spurning them. This is most seriously the case with Russia, the richest in energy.

The Russian cabinet met on Thursday, and made a series of decisions which, if followed through, would be momentous. Mr Victor Chernomyrdin, the new prime minister – who often shows himself, at least in rhetoric, to be a much harsher economic realist than his predecessor Mr Yegor Gaidar – told his colleagues that he wanted to switch over (more or less) to world prices in all dealings with former Soviet neighbours. He would no longer tolerate a situation where Ukraine bought Russian oil for a rouble-denominated song and sold 8m tonnes of it (as the Russians belive it did last year) for good US dollars.

Mr Alexander Shokhin, the deputy prime minister in charge of foreign economic affairs, said last week that Ukraine and other states would have to make military and other concessions if it wanted to continue receiving cheap energy: and Mr Vladimir Mashyts, head of the committee for co-operation with the CIS member states, pointed out that where Russia delivered 60-70 per cent of promised supplies, the CIS countries averaged about 16 per cent.

A following through of this hard line means impoverishing already miserable states: countries like Georgia, where more than half the industry has closed and the black economy traders export the agriculture surplus to hard currency countries, and which owes 70 per cent of its current government expenditure to Russia. Other states are less dramatically dependent, but the tendency will be the same. No more Mr Ivan the Nice Guy is the message they are all receiving: now, even the most liberal minister must be a Russia-firster. None can ignore the imperatives of a people demanding an end to economic misery: nor can they fail to see the galloping disintegration within Russia, as regions within the federation, too, play the zero sum game of grasping after "independence" (from taxes, state obligations, and the need to confirm to minimum national social and other standards).

The politicians turn harder as it becomes clear to them all that "the west" is not a rich and generous idiot. The International Monetary Fund, which earlier this month anxiously conferred in Washington with Mr Boris Fyodorov, the new economic chief in the cabinet, over the government's programme, believes it can do nothing until at least the basic rules of monetary discipline are in place – a system for controlling the budget deficit, real Central Bank interest rates, a rein on credits. Yet these are as far away as ever. Foreign investors and corporations, their hope for stability fading as the cases of mismanaged and stalled joint ventures multiply, cut back their representative offices and whine. The west, too, is no longer Mr Nice Guy.

As with states, so with individuals. The post-Soviet rich are spectacularly rich, the men wearing Guccis and Rolexes, the women dripping with mink, the Mercedes 500 waiting at the Casino door with an ex-paratrooper behind the wheel. Most are criminal in one way or another, even if "only" tax dodging: the darker side is a violent crime rate now going up almost vertically to the point where Mr Victor Yerin, the saturnine interior minister, spoke on Thursday of his being a "ministry at war", and said that the population must be "taught to respect the militia", of whom they had murdered nearly 400 last year. Again, if Mr Yerin's words become deeds, we will see a harsh regime – and can expect to see it welcomed.

This tightening of the purses, of security, the emphasis on everyone for himself, underpins the political space within which Mr Yeltsin and Mr Khasbulatov slug it out for constitutional primacy. Neither are much respected, though Mr Yeltsin retains recognition for his courage. The history of their most recent conflict is that of contemporary Russian politics – improvised, hectic and treacherous.

It stems immediately from a deal made at the Congress of Peoples Deputies in December, under which Mr Yeltsin was permitted to call a referendum on a new constitution on April 11: since then, Mr Khasbulatov has attempted to sink the deal, and Mr Valery Zorkin, chairman of the Constitutional Court who guaranteed it, has descended into the political arena by saying he now thinks it a bad idea. This defection from his proper role, hardly noticed in the turbulence of the day-by-day posturing, removed the last planks of the legal framework which might have surrounded the manoeuvrings of those on top of the political heap.

We exist in the now-familiar countdown mode: another deadline has been set within which, in this case, a preliminary agreement on the division of power must be drawn up by presidential and parliamentary aides over the next week, then put to a special one-day session of the Congress in early March.

Mr Yeltsin appeared on television this week in a cardigan to say that he didn't trust these tricksters in parliament, that he would give negotiation a shot but that he really thought a referendum on a constitution was the best bet. Meanwhile, parliament should agree to hand over most of its economic powers to the government so it could have a free hand in sorting out the crisis: he too would refrain from interfering with the government he appointed.

Mr Yeltsin's offer has no hope of acceptance. It may simply be a high opening bid, but it may also be the tabling of a set of conditions, without which Mr Yeltsin does not think the country can be governed and the economy pulled out of its dive. As he attempts to tighten control in face of the tearing apart of his economy and his country, he cannot afford to compromise further with a parliament which, under Mr Khasbulatov, wishes to govern the country too.

Mr Khasbulatov, a former economics professor who comes from the Caucasian autonomous republic of Chechnya, has brilliantly used what was in Soviet times a purely ceremonial post to put himself at the head of a parliament whose members are inexperienced, divided and often ignorant: he has played a weak hand to the point where it cannot be ignored and must be either placated or beaten. His self-importance is large, as his political intelligence. Often down, he has never been out.

As the battle rages between the two men, the economic room for manoeuvre has disappeared, as has the "democratic surplus" – the space within which choices can be made for compromise and consensus between layers of political authority. The politicians, too, are out for themselves: Russia and its neighbours are sucked into the vortex of their struggle, a largely supine citizenry condemned, yet again, to fear and wait.

Michael Smith asks who will blink first, government or generators

Lead role in a power play

Mr John Baker, chief executive of National Power, the UK electricity generating company, never expected an easy relationship with the government following a difficult privatisation process.

"Have no doubts ... the government will feel happy if National Power falls flat on its face," he wrote in the leaked draft of a speech, later amended, to managers of the Central Electricity Generating Board, the predecessor of National Power and its rival generator for England and Wales, PowerGen. The implication was that in the private sector, the generators would have few friends in the government.

Four years later, another leak of Mr Baker's controversial thoughts is exacerbating a degree of current tension with the government.

The disclosure on Thursday of a confidential letter from Mr Baker to Mr Michael Heseltine, industry secretary, reveals an extraordinary behind-the-scenes battle between the government and National Power and PowerGen over who should pay to rescue some of Britain's threatened coal mines.

The government, having rejected most of the more radical options for increasing the market for coal – such as cutting nuclear or gas-fired electricity – is looking to the generators to solve its problems by buying larger tonnages than they want over the next five years. Mr Baker's letter, and an accompanying memorandum in which he talks of a government threat to legislate if the generators do not accede, shows that Mr Heseltine has a fight on his hands. Mr Baker has refused to buy as much coal as the government wants and thrown the ball back into Mr Heseltine's court.

The response is typical for the tenacious Mr Baker. At 55, he has had an unusual career for senior managers in the electricity industry. Most have joined the sector at an early age, often straight from university, with an engineering or technological background. Mr Baker began his career in electricity in 1979, when he was 42, and his background was far from scientific.

After graduating in English from Oxford, he worked in the transport and environment ministries as a civil servant from 1961 to 1974 before setting up the Housing Corporation, a state body to provide rented housing. Some of the more narrowly focused engineers at the CEGB must have looked askance at a man who delights in the opera and bridge and who, in one week's holiday, says he can read up to 15 novels.

Despite his unorthodox background Mr Baker quickly integrated himself into what one former colleague describes as an engineers' closed shop. He says he found the CEGB insensitive to shifts in public mood and after joining the board in 1980 tried to make it more outward looking. He later took charge of public relations and distinguished himself in the presentation of the board's case for building the Sizewell B nuclear station. He became corporate managing director in 1986.

Within the industry he is highly regarded, even by the chairmen and chief executives of the regional electricity companies who often view former CEGB managers as remote and arrogant. "He is not really a hands-on manager like Ed Wallis at PowerGen, partly because he doesn't have the background," says one. "But he can delegate and his strength is knowing how to operate in the corridors of power; how to deal with the industry regulator and the politicians."

> The likelihood is that a compromise with National Power and PowerGen will be reached

Given his reputation for toughness, there are some in the industry who believe, probably inaccurately, that Mr Baker leaked the documents to Mr Heseltine himself.

Whoever did so had a sense of style and humour, since the papers were sent anonymously to Mr Arthur Scargill, the president of the National Union of Mineworkers, who is no ally of the generators. The leak prompted a great deal of concern within National Power yesterday that it could have a detrimental effect on negotiations with the government.

The nub of the dispute is that the government wants the generators to take 65.5m tonnes of coal at subsidised prices in the next five years over and above the 160m tonnes they have agreed to buy over the period. The generators say they will take up to 55m tonnes extra, but 15m would have to be stockpiled, with the government paying the costs.

The surprising element of the documents is Mr Baker's revelation that Mr Heseltine "said that if we (the generators) couldn't take the additional tonnages, he would be forced to legislate".

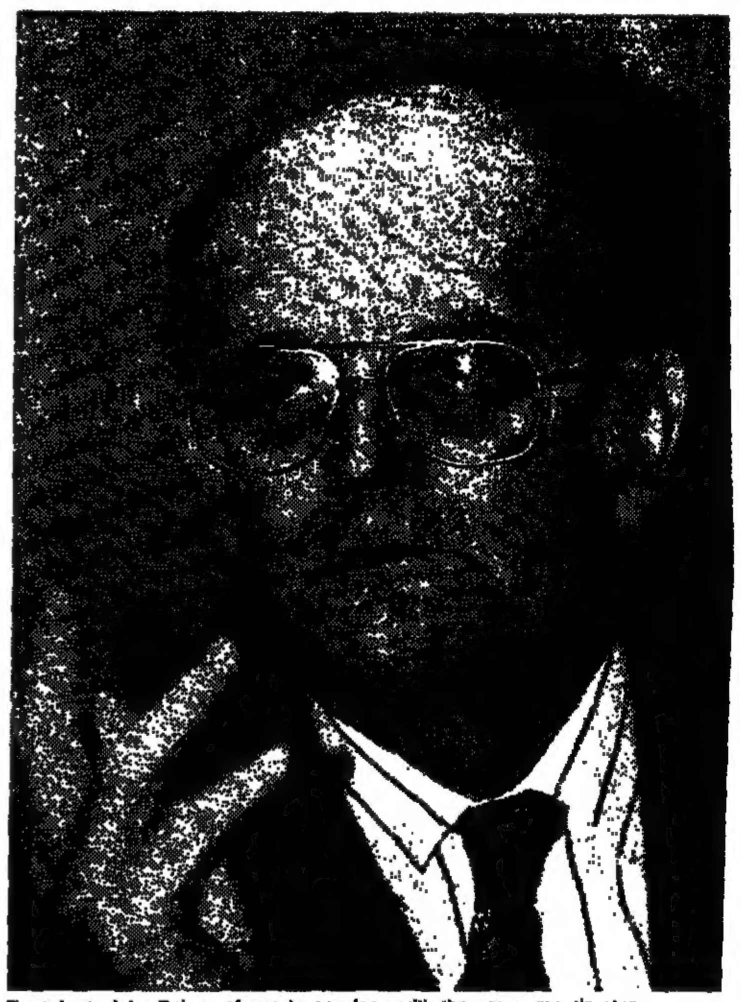
Such a threat appears inconsistent with the prospectus for the flotation three years ago of National Power and PowerGen which said that the government "intends that the relationship between British Coal and each of (the generators) ... should be commercially determined on an arms' length basis."

The signs are that the government wants to avoid a solution to British Coal's problems that involves primary legislation. Laws which revised the terms of the privatisation would inevitably hit the shares of the generators at a time when the government is looking to sell off its remaining 40 per cent stakes in each company. The money is needed to reduce the growing public sector borrowing requirement possibly within the next year or two.

But the government's more pressing problem is to find a publicly and politically acceptable alternative to British Coal's programme for closing 31 pits. A white paper originally scheduled for this month has been delayed because of the difficulty of finding a solution.

The likelihood is that a compromise with the generators will be reached, but some analysts believe National Power and PowerGen are putting their lucrative contracts for 160m tonnes of coal at risk by trying to drive a hard bargain. If Mr Heseltine decides to enact legislation to force the generators to take the extra 65m tonnes, the deals already agreed could be affected.

"John Baker has proved an accomplished negotiator and has proved adept at staring in the eye the guy on the other side of the table," says one. "Maybe now is the time to blink."


Tenacious: John Baker refuses to go along with the government's plan

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Unfounded maternity leave fears

From Ms Christine Gowdridge.

Sir, The chance of a woman demanding maternity leave the day after the start of a new job is remote, so it is curious of the Confederation of British Industry's Mr Gilbert to focus on it ("Maternity changes nurture fears", February 15). He is probably expressing the fear, still found among some employers, of the burden that employment rights for working women represents. If so, he should be reassured that similar fears expressed by employers about the introduction of maternity rights in the 1970s turned out to be groundless.

Research demonstrates that maternity leave is only one of the many sources of absence and much less common than most. Increasingly, employers are seeing the benefits of providing adequate maternity leave in terms of retaining valued staff. In any event, much of the cost, in terms of pay, is borne by the state.

While regretting the complexity of the Trade Union Reform and Employment Rights Bill, the Maternity Alliance welcomes the proposed extension of maternity leave to the minority of women not currently entitled to any. It is reassuring to note that the CBI is not abandoning its commitment to equal opportunities policies. Women should not suffer disproportionately the effects of this recession.

Christine Gowdridge,
director,
The Maternity Alliance,
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Union power over pay levels in doubt

From Mr Simon Milner.

Sir, Samuel Brittan's analysis of the link between average earnings growth and unemployment during three recessions ("The unwelcome pay-jobs link", February 18) highlights the macro failure of Thatcherite labour market reforms to deliver. What is particularly noticeable, and what Mr Brittan fails to point out, is that equilibrium unemployment has remained stubbornly high (around 2.5m) despite the enormous reduction in union density and collective bargaining coverage in the second half of the 1980s.

Ten years ago the high level of equilibrium unemployment would have been principally blamed on unions and their wider influence through pay bargaining. The decline in numbers covered by collective bargaining, combined with decentralisation of bargaining, has not produced the improved macro performance that many predicted it would. In light of this, perhaps we now also need to reassess the impact of "union power" on average earnings growth in the past.

Simon Milner,
research officer,
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VAT on food a banana skin government must avoid

From Messrs Geoff Rayner and Tim Lang.

Sir, Michael MacKenzie of the Food and Drink Federation (Letters, February 10) has rightly described the proposed imposition of VAT on food as a tax on the poor. We also think that there are other points to be made against the proposal.

VAT will cause further inflationary pressure on food costs for an industry already suffering the effects of the devaluation of the pound. It would also be a tax on farmers at a time when bankruptcies are commonplace. And it would be ironic if the government extended VAT, with accompanying bureaucracy, in the same month as it has launched a campaign to reduce the burden of regulation on the food industry. As proponents of the public health, we are in favour of sensible and flexible regulation, but the imposition of VAT on food would be neither. The government should reconsider.

The FT has consistently covered the international row on the banana trade. We are sure that your readers will join us in judging the idea of VAT on food as a banana skin the government and the food industry would do well to avoid.

Geoff Rayner,
chair,
Tim Lang,
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Parents for Safe Food,
The Public Health Alliance,
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Legislation needed to meet current needs of farmers

From Mr V A G Tregear.

Sir, David Richardson's observations in Farmer's Viewpoint (February 16) highlight how much more has to be done by the farming community. That 100 UK farmers are going out of business each week is merely the continued effect of battle against rising overhead and declining income during the last 10 years.

Considerable effort is being made now in the home counties, if not the shires, to respond to the current conditions by "extensifying" and entering into new forms of farming agreement. It is in this context that progressive farmers and landowners are hampered by the antiquated legislation enshrined in the agricultural holdings acts. The government should therefore be encouraged to bring forward the legislation that it is now considering based upon "freedom to contract". This would enable joint ventures and other trading agreements to be introduced to meet modern conditions without either the fear of creating agricultural tenancies with security of tenure, or the need to use rather incongruous Gladstone v Bower tenancies.

In parallel with this, the government must be prepared to rationalise both the capital and income tax framework to remove the anomalies that occur as a result of new enterprises and agreements.

As it looks as if the government will have to be parsimonious for some time, its best alternative would be to give parliamentary time as soon as possible to improve the legal framework and stimulate the entrepreneurial spirit.

V A G Tregear,
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No case for exempting forces from a 'classless' society

From Brigadier J S Ryder.

Sir, According to Philip Stephens and David White ("Major's 'classless' honours plan upsets forces chiefs", February 13) service chiefs are arguing that classlessness may be all very well in civilian life but the rigid observance of social status is a vital component of a well-oiled military machine.

Perhaps they have forgotten the Victoria Cross, the only award available to all ranks of the three services according to their deeds. All the rest are remnants of a distasteful system which awards decorations to officers and medals to other ranks for the same level of bravery.

Britain stands alone in maintaining such an outdated, class-ridden system. It is time the prime minister removed this blemish – the people wish him well.

Stuart Ryder,
8 Shenley Hill,
Radlett,
Herts WD7 7BB

Chairman optimistic as house reservations rise significantly

Trencherwood loss cut to £21m

By Roland Rudd

TRENCHERWOOD, a USM-quoted housebuilder and property company, reduced its loss before tax from £37.7m to £21.4m in the year ended October 31.

The loss was struck after exceptional charges of £13.1m (£29.9m). Operating losses rose from £863,000 to £2.3m.

At the year-end group borrowings stood at £46.6m (£45m) with a deficiency on net assets of £33.3m.

However, following the refinancing, approved by shareholders at a recent extraordinary general meeting, a pro forma balance sheet shows borrowings restated at £22.2m with a positive net worth of £3.9m.

Mr John Norgate, chairman, said: "Since the start of the year we have seen real cause for optimism. Visitor levels to our show houses and house reservations have increased significantly since December, with demand on some developments now outstripping supply."

Mr David Moss, managing director, said the housing market had changed for the first time since the recession. "With mortgage rates at their lowest for 37 years, we are experiencing a recovery which we do not believe is about to peter out."

He said the company's new found confidence was underlined by the support it had received from its banks. "It is significant that the company's five-year business plan won the support of its lenders."

TRENCHERWOOD

The group's loss in the second half was £5m compared with a deficit of £16.4m in the first six months. The total loss after taxation fell to £20.8m, compared with £34.2m.

In line with its policy of increasing its residential side, the commercial operation disposed of assets worth £2.9m and commercial sales of £2.4m were made.

Under the terms of the refinancing, £35m of bank debts and claims were swapped for ordinary and preference shares, leaving existing shareholders with 30 per cent of the enlarged capital. Their holdings will be diluted to 15.9 per cent if there is full conversion of the preference shares.

The banks also agreed to provide five-year term facilities of £22.4m, overdraft and engagement facilities of £7m and a standby facility of £1m.

With the exception of one project, where the maximum recourse is about £60,000, the group does not have to repay any of the borrowings of its joint venture projects.

Losses per share were reduced from 137.01p to 83.10p and the final dividend is being passed again.

City group urges delay in USM closure

By Peggy Hollinger

A CITY lobby group is to urge the London Stock Exchange to delay closure of the Unlisted Securities Market, pending preparation of proposals for an alternative market with separate governance.

The City Group for Smaller Companies, representing 72 organisations, has drawn up its response to proposals for closing the USM and establishing a smaller companies sector on the Official List. The deadline for such recommendations is March 5.

In its document, Cisco agrees that the differences between the USM and the main market "hardly justify the continued operation of the two primary market regimes". However, the group argues that there is a strong case for a junior market with "markedly different listing arrangements".

To date, argues Mr Richard Balarkas, chief executive of Cisco, the Stock Exchange has failed to address specifically the needs of smaller companies. "The Stock Exchange should be forced to recognise that it is operating two markets, or someone else should be allowed to operate a national market," he said.

"There is a lot of support for the idea, but it would need a significant change in attitudes from both the Stock Exchange and the government," he added.

Mr Balarkas and Mr Andrew Beeson, Cisco's chairman, cite the example of Nasdaq, which is operated by a self-regulatory body in the US. Established in 1971, Nasdaq was particularly successful in its early days in providing a forum for smaller companies. Today, however, the bulk of trading is concentrated in its biggest companies.

Nevertheless, Mr Beeson said: "The Nasdaq market is independently operated and governed and totally dedicated to the needs of smaller companies."

He stressed that the preferable option in the UK would be to set up a junior market within an existing framework. However, the market would require dedicated management.

Cisco argues that the creation of a viable junior market would in the long run be good business for the Stock Exchange, which currently derives some 90 per cent of share turnover from the biggest companies.

Other issues being investigated by Cisco include the definition of inside information as included in the draft criminal justice bill. Working parties have been set up to prepare submissions to the Treasury.

Cisco will be meeting the Treasury next week to discuss its proposals. The group is also holding a series of discussions with the Bank of England.

Pegasus declines sharply to £620,000

By Andrew Adonis

PEGASUS Group has reported a sharp fall in profits and turnover, after a period of boardroom turmoil and depressed activity.

In the 17 months to December 31 1992, the USM-quoted designer of accounting software recorded pre-tax profits of £620,000, down from £1.51m in the year ended July 1991.

Figures for the previous period were restated to comply with FRS3 accounting standard.

Earnings per share were 7.7p basic (18.1p) and 7.3p fully diluted. The proposed final dividend is 2p (8.6p), payable July 10, for a 9p (12.1p) total.

At £9m on continuing operations, compared with £8.15m, turnover for the 17 months amounted to £10.27m against £8.49m.

The results were not as bad as some analysts had feared, and its share price gained 5p, closing at 160p.

Pegasus ended 1992 with a healthy cash balance of £2.58m, including a gain of £1.27m from part disposal of its forms business to Deluxe Corporation.

Mr Jonathan Hubbard-Ford, chief executive, said the launch later this year of Version 6 of Pegasus Senior, the company's core product, offered "a solid basis for recovery". Pegasus was also pioneering a new integrated management information system, Sequel, but was aiming to simplify its overall business and product range.

Pegasus's market share in the modular accounting market remained stable at 36 per cent by volume.

Extensive board changes at the end of 1992, plus redundancies at the start of 1991-92, cost the company £646,000.

Mr Hubbard-Ford, reinstated as chief executive in a boardroom coup in December promoted by institutional investors, promised "stability and consolidation".

All but one of the current directors joined the board in December 1992, when Mr Philip Sellers took over as non-executive chairman in place of Mr Derek Moon.

Lopex makes £3.5m cash call to repay debt

By Andrew Adonis

LOPEX, the communications group, is to raise £3.5m in a 1-for-1 rights issue to repay debt.

The issue is priced at 17p per share and will allow Lopex to pay off its estimated £3.5m debt. Its shares closed yesterday at 24p, down 1p.

Lopex, struggling in the beleaguered advertising sector, incurred pre-tax losses of £125,000 in the first half of 1992, after losses of £398,000 for the whole of 1991. It is however, projecting profits of £200,000 for the year ending December 1992, but no final dividend.

Mr Barrie Wurman, finance director, said: "Our clients have been looking at us with a bit of a jaundiced eye. Our main problem is with TV companies, which have very strict balance sheet criteria."

The issue is underwritten by Kleinwort Benson. It is being accompanied by the establishment of an employee trust, to be endowed with £1.2m of unpaid performance bonuses, which will subscribe to the new shares and sub-underwrite about a third of the issue.

"We want to see the cash transferred to the trust reinvested in the group, enlarging Lopex's equity base," said Mr Warman.

Most of the group's revenue comes from the depressed UK market. Its public relations and direct mailing side has fared far better than advertising.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt at Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	-	68	52	Intl Food Machinery	64	+1	-	-	-	-
§10¼	F.P.	-	725	707	Mauritius Fund	717		-	-	-	-
-	F.P.	-	93	93	Merlin Intl Units	93		-	-	-	-
§210	F.P.	-	280	262	Motor World	263	-5	6.3	2.5	3.2	16.4
-	F.P.	-	98	84	New City & Comml Inv	87		-	-	-	-
-	F.P.	-	28	19	Do. Warrants	19		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	107p	102½p	Airtours 6¼p (Net) Cv. Pf (ex-div)	107p	+½
100p	F.P.	-	120½p	115½p	Bristol Water 8¼pc Pf.	118¼p	+½
100p	F.P.	-	110¼p	105¼p	Commercial Union 8¾pc Cm. Pf.	109p	+1
100p	Nil	-	44pm	33pm	First Natl Finance 7pc Cv. Rd. Pf.	39pm	+2
100	F.P.	-	114¼	109¾	NFC 7¼pc Cv Bd 2007	110¾	
60p	F.P.	-	60p	54p	Merlin Intl Green Zero Prf	59¼p	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
320	Nil	31/3	62pm	55pm	Bellway	61pm	-1
440	Nil	11/3	95pm	80pm	Bowater Units	95pm	
490	Nil	24/3	102pm	76pm	Commercial Union	76pm	-7
15	Nil	29/3	3½pm	1½pm	MTL Holdings	1½pm	
40	Nil	11/3	42pm	36pm	PizzaExpress	39pm	-1
25	10p	1/3	23	12	Property Trust	23	
17	Nil	31/3	½pm	¼pm	SelecTV	¼pm	
345	Nil	9/3	70pm	55pm	Volex	66pm	+10
260	Nil	22/3	78pm	39pm	Whessoe	65pm	-2

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ☐ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share

TRADITIONAL OPTIONS

- First Dealings Feb. 8
- Last Dealings Feb. 19
- Last Declarations May 20
- For settlement June 1

3-month call rate indications are shown on page 11.

Calls in **ADT, Alphameric, ASDA, Babcock, Burton, Cupid, Celestion, Enterprise Computer, Ferranti, Hanson warrants, Hartstone, Ransomes 8pc Pref., Tadpole Tech.** and **Tesco.** Double in **Pentos.**

Fund-raising campaign to save Fulham ground

By Jane Fuller

FULHAM football fans are today launching a fund-raising campaign to try to secure the club's future at its west London ground, which is owned by a company in receivership.

Urgency is lent to the Fulham 2000 campaign by the fact that there are only 100 days to run on the club's lease of the Craven Cottage ground, which has been its home beside the river Thames since 1896.

The ground is owned by a company called Vicenza Development. It was part of Cabra Estates, the quoted property company where provisional liquidators were appointed in November. Cabra owed more than £60m to banks and other creditors, with Royal Bank of Scotland as the lead bank.

Royal Bank appointed accountants from Coopers & Lybrand as receivers at Vicenza.

The bank has bought Chelsea Football Club's ground, another part of the Cabra estate, and granted Chelsea a 20-year lease with an option to buy. But the future of Fulham FC and the Craven Cottage site remains uncertain.

Apart from the short time left on the lease, the result is still awaited of an inquiry into a planning application to redevelop the ground for flats.

Cabra made the application but Fulham and Hammersmith council rejected it. The inquiry is understood to have been concluded in September, but no word has yet come from the Department of the Environment.

Fulham 2000 says: "With no planning permission having been granted, and no demand for any residential redevelopment, Fulham should be allowed to buy the ground at today's market value."

The campaign seems to assume it is owned by the Royal Bank, which it is not. The receivers say that the "options are open".

With so much undecided, the campaign has set itself no monetary target, other than collecting as many £10 membership fees as possible.

It hopes eventually to be able to contribute to a solution that would see the club stay at the ground with a partial redevelopment of the site to help add value for the bank.

Holmes Protection back in the black with $4.17m

By Tim Burt

THE SUCCESSFUL completion of a three-month debt restructuring programme at Holmes Protection yesterday enabled the US security group to announce a sharp turnround in its year-end results.

Pre-tax profits for 1992 totalled $4.17m (£3m) compared with losses of $35.5m. Turnover declined from $59m in 1991 to $56.2m.

The company, quoted in the UK, blamed the downturn in turnover on orders cancelled before a new management team headed by Sir Ian MacGregor, former chairman of British Coal, had implemented a restructuring plan designed to wipe out debt held by seven North American institutions.

The institutions, which were unsecured lenders, agreed to forgive a portion of the debt and accept a part cash and part debt-equity swap for the remainder.

Yesterday's results included an exceptional gain of $1.88m ($30.7m) following the reversal of an acquisition reserve made in 1991.

Earnings per share after adjusting for the share consolidation were 23 cents, against losses of $12.98. However the directors felt a figure of 10 cents, on the basis that the shares issued during the restructuring had been in issue throughout the year, was more meaningful.

Although the company decided not to pay a dividend for the third year running, Sir Ian said it intended "to resume the payment of a nominal amount of dividends during 1993".

He also predicted increased turnover in the year ahead following a slowdown in the cancellation rate in its main business of installing and servicing alarm systems.

Costain's US coal arm pleads guilty

By Andrew Taylor, Construction Correspondent

THE US coal mining arm of Costain, the UK construction group, yesterday pleaded guilty to 29 charges involving safety violations at its William station mine in West Kentucky where 10 people were killed in an explosion in 1989.

An indictment against the company was announced by the US Grand Jury which has been investigating the explosion and which is highly critical of the mine's management before and after the tragedy.

Costain said that it had decided to plead guilty on 29 counts, and would not contest three other charges, rather than face protracted court proceedings which "would prolong the pain for all, especially the families of those miners whose lives were lost."

It is expected that Costain will be fined about $4m (£2.8m).

The company also faces claims for damages from the families of the dead miners. Settlements in two cases have already been agreed by the company's insurers.

Mr Tom Parker, chairman of Costain's US coal mining division, said: "We deeply regret the tragedy that occurred. Although the exact cause and reasons for the explosion remain unresolved, we believe it is best at this point to settle the matter for our employees, the miners' families and the company."

The explosion occurred in September 1989, just two months after Costain acquired a 100 per cent stake in Pyro coal company which had previously operated the mine jointly with the British group.

Costain says that since the explosion it has reorganised the mines safety procedures including hiring extra safety officers and increasing training for miners.

The British group now operates 16 underground and opencast coal mines in five US states producing 17.5m tonnes of coal a year. US coal operations in 1991 are thought to have generated about £5m operating profits out of total operating profits of £27.4m.

The Grand Jury findings have been published shortly before a court in St Louis, Missouri, is due to announce its judgment in a separate legal action involving Costain and Peabody, the US coal mining arm of Hanson, the UK-based conglomerate.

Peabody has asked the court for an injunction preventing the sale, for $245m, of Costain's Australian coal and property operations to Altus, part of the French Credit Lyonnais group. Peabody, which says it had previously agreed terms with Costain to buy the Australian coal business at a lower price, wants the sale to Altus disallowed.

Kingfisher property

Kingfisher group's property company Chartwell Land is to withdraw from non-retail property development, and not from all property development as stated in yesterday's FT.

ICI faces decision on how to raise £1bn of new equity

By Maggie Urry

IMPERIAL CHEMICAL Industries, which is expected to announce on Thursday that it will proceed with its demerger plan, must also decide how to raise about £1bn of new equity regarded as essential to make the split work.

The ICI board, chaired by Sir Denys Henderson, is understood to have set itself a number of goals in the financing, some of which appear to conflict.

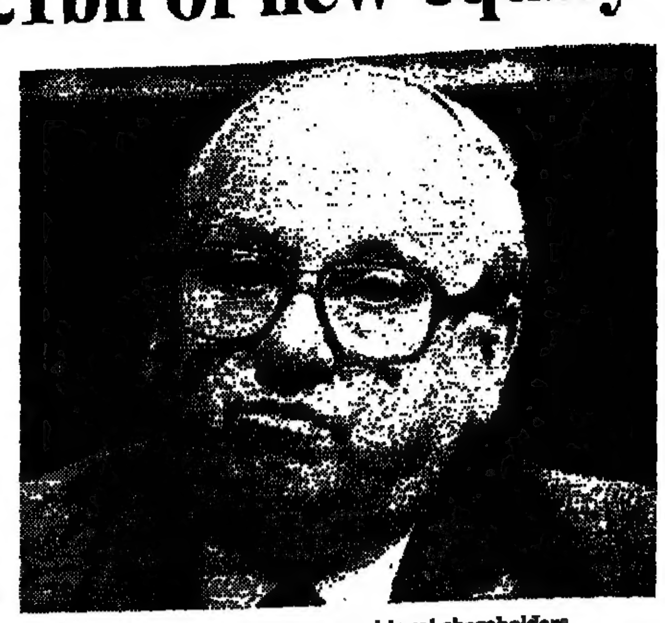
First, it is keen to reward loyal shareholders who supported ICI when Hanson took its 2.8 per cent stake in 1991 by preserving their pre-emption rights.

ICI also wants the certainty of an underwritten issue, which many think can only be done in the UK market, so that it can proceed with the demerger with confidence. These two factors would tend to push ICI towards a rights issue, either before the demerger, or by Zeneca, the pharmaceutical side, after the demerger.

However, Zeneca would like to widen its spread of shareholders, building an international, and especially US, investor base. "That concept is clearly very important in the mind of Zeneca," said one person involved. Only about 5 per cent of ICI's shares are held in the US.

ICI and SG Warburg, its adviser, are looking closely at the Wellcome share sale last summer, which was designed to increase overseas ownership of the drug company's shares.

The Wellcome sale was done on a "book-building" basis. Potential buyers put bids in during a sale period and a price was set reflecting supply and demand. The price set was close to the market price, whereas a rights issue is normally made at a significant discount to the market price.



Sir Denys Henderson: keen to reward loyal shareholders

But Wellcome did not face a pre-emption rights problem as the shares being sold were existing rather than new ones.

Investment bankers are being asked to put proposals to ICI which can bring the differing aims into line.

One suggestion is that Zeneca should proceed with a rights issue, but that the company should attempt to generate demand from new investors for the new shares while they are trading in nil-paid form. That could involve an international road show to whip up interest in the shares.

That could prove an expensive option for Zeneca though, as it would mean issuing shares on a rights issue discount and then giving shareholders a profit if new investors are encouraged to buy.

Another approach could be to run a book building sale which would probably set a strike price closer to the market price, but to give existing shareholders the right to buy back a large proportion of the issue at the strike price. That would have the advantage of preserving pre-emptive rights, and obtaining a better price for the shares. But it would be hard to combine that with a firm underwriting commitment.

The hope of broadening the investor base to include US holders also depends on Zeneca being able to attract interest. Pharmaceutical stocks are out of favour at present, especially in the US.

Zeneca itself is seen as weak. American sales of its best-selling drug, the heart drug Tenormin, have halved over the last 12 months following the expiry of its patents. And according to one banker, Zeneca has "nothing promising in the R&D pipeline for a couple of years. Are US investors prepared for a 2 to 3 year wait?".

Queens Moat near to franchise agreement with Holiday Inn

By Michael Skapinker and Christopher Price

QUEENS MOAT Houses and Holiday Inn, the Bass subsidiary, are close to concluding a new franchise agreement, but the number of hotels involved is smaller than expected.

The agreement being discussed would result in a handful of Queens Moat hotels in the UK and on the continent adopting the Holiday Inn name. The total number involved is thought to be fewer than 10.

It had been thought that the two companies were considering a more wide-ranging agreement with a larger number of Queens Moat hotels becoming Holiday Inn franchises. Although the deal being discussed could be extended to involve a greater number of hotels, this is unlikely in the immediate future.

Queens Moat already runs one Holiday Inn in Newcastle and 19 on the continent.

The agreement under discussion would only partly compensate Holiday Inn for the loss of 15 of its UK hotels last year to the Marriott chain. The hotels are owned by Scott's Hospitality, a Canadian company. Scott's switched to rival Marriott after its request to become Holiday Inn's master franchisee in the UK was rejected.

- Holiday Inn Worldwide plans to double the number of its hotels in France to about 40 by the mid-1990s, mainly by taking over existing hotels, Philip Rawstorne writes.

The Holiday Inn brand will also be extended to seven hotels owned by the French Alliance group in which Holiday Inn has a 54 per cent stake.

The expansion is part of a programme to increase the number of Holiday Inns in Europe, the Middle East and Africa, from 125 to more than 200.

Rank makes £20m disposal

By Peggy Hollinger

BRIGHTREASONS, the group run by former Mecca boss Mr Michael Guthrie, is buying the Italian restaurant businesses, Pizza Piazza and Prima Pasta, from Rank Organisation for £20.25m in cash.

The purchases bring two more Mecca businesses back under the control of Mr Guthrie, who set up Prima Pasta as part of the leisure company's restaurant business five years ago. Mr Guthrie left Mecca just before Rank's takeover in 1990.

He paid Rank £90m for 11 motorway service stations in 1991. These are run as a separate company.

Brightreasons, which is reportedly preparing for a flotation in the next two years, will pay an initial £19m, with £1.25m deferred to 1994. The payment will go a small way towards reducing Rank's onerous debt burden, which was £999.3m at the year-end.

Mr Guthrie said the acquisition would complement the Pizzaland business purchased from Grand Metropolitan in 1991. He estimated that after the latest acquisitions, Brightreasons would have between 20 and 23 per cent of the pizza and pasta market in the UK.

NEWS DIGEST

BCE deeper in the red at midway

PRE-TAX losses of BCE Holdings, the distributor of snooker, billiards and pool products, grew from £20,000 to £168,000 in the six months to September 30, on turnover of £1.98m, against £2.53m.

Mr David Fisher, chairman, said that the results, while disappointing, were within budget and reflected the seasonal nature of the business now that BCE had returned to its traditional core activities.

The sale of the cue and snooker tables manufacturing divisions accounted for exceptional losses of £52,000 this time. Losses per share were 0.6p (0.07p) and there is again no interim dividend.

In recent months, trading and profitability of the distribution division had been in line with budget despite the devaluation of the pound, but the company's amusement centres remained depressed.

Newcastle Building Society 11% ahead

Newcastle Building Society raised pre-tax profits by 11 per cent from £12.2m to £13.5m in 1992, while assets grew from £971.5m to £1.08bn. Mr Bill Midgely, the managing director, said it had been a good, solid year which bode well for 1993.

Profit growth took into account full provisioning in respect of actual and anticipated mortgage losses on repossessed properties and anticipated losses on serious arrears cases.

Mr Midgely said continuing uncertainty in the housing and financial services sector had prompted the society to be especially prudent as regards provisions this year. It had taken on a general reserve of £250,000 and, in doing so, had depressed profit growth by 2 per cent.

Net advances increased from £95.3m to £114.6m in the year.

Newmarket Venture shows improvement

Newmarket Venture Capital had a net asset value per share of 62p at December 31, against 60p a year earlier. At September 30 the value was 57p.

Its portfolio of venture capital investments in the UK and US is being realised and, as already announced, it is proposed that the company will be wound up voluntarily and the assets distributed to shareholders in 1994.

The directors said that significant progress had been made in the asset realisation programme begun in 1990. The proportion of net asset value held in cash, gilts and quoted stocks net of creditors and accruals increased from 25p to 42p per share over the year.

The company does not take realised gains on successful investments into its profit and loss account and does not pay ordinary dividends. Net losses increased from £776,000 to £1.32m and losses per share amounted to 3.7p (2.1p).

Ingham purchase talks continue

Negotiations for its acquisition of Moss Europe were continuing, said Ingham yesterday as it also noted the recent rise in its share price. On Thursday the worsted spinner's shares rose 7p to 109p. Yesterday they lost 1p.

The talks could result in Moss, a private UK company, being bought from Milard, a California-based car parts distributor, for £4m in shares. Ingham added that, if successful, it might raise extra funds by a share issue to provide additional working capital.

Fleming High net asset value improves

Net asset value per share of the Fleming High IncomeTrust amounted to 94.9p at January 31 compared with 83.3p a year earlier and 88.7p at the trust's year end on April 30 1992.

Net revenue for the nine month period fell from £1.38m to £1.29m for earnings per share of 4.12p (4.53p). The third interim dividend is an unchanged 1.45p, payable April 1, making 4.35p (same) so far.

Davenport Vernon in £2m investment

Davenport Vernon, the multi-franchise motor group, has announced three significant new dealerships with an overall investment of about £2m.

The company has been appointed the official Toyota agent for High Wycombe, Bucks. An existing Toyota premises on the A40 has been acquired and Davenport will be operating its second Toyota franchise from this site.

The company has also acquired the Honda dealership of John Lowe, Gloucester, from the receivers. This is Davenport's third Honda dealership and marks a westward extension of its network.

Next week, Davenport will open its third Nissan dealership on a recently developed site adjacent to its Vauxhall dealership in High Wycombe.

Wessex Water wins £9.8m contract

Wessex Water subsidiary, Wessex Waste Management, has, with Avon County Council, won a £9.8m per annum contract to dispose of the county of Avon's domestic waste.

A new joint venture company, Avon Waste Management, has been formed which is 80 per cent owned by Wessex Waste Management. The company won all six contracts that were put out to competitive tender.

M T W T F S S

ECONOMIC DIARY

TODAY: Sinn Fein annual conference in Dundalk.
TOMORROW: Carnival in Rio de Janeiro (until February 23).
MONDAY: Gross domestic product (fourth quarter-provisional estimate). Mr Helmut Kohl, German Chancellor, arrives in Singapore for three-day visit. Financial Times holds "The London Motor Conference" at the Hilton Hotel, Park Lane.
TUESDAY: Long term unemployment (quarterly analysis of unemployment by age and duration) (January). Mr John Major, prime minister, flies to Washington for talks with Mr Bill Clinton, US president, on Wednesday. Start of two-day Financial Times conference "Cable & Satellite Broadcasting" at the Hotel Inter-Continental, London W1. Preliminary results from Unilever Plc/NV, National Westminster Bank, Smithkline Beecham.
WEDNESDAY: Electronics industry in Scotland (1991). New construction orders (December-provisional). US durable goods (January). Irish budget statement.
THURSDAY: Energy trends (December). Balance of trade with countries outside the European Community (January). New vehicle registrations (January). US jobless claims. European Community industry ministers meet in Brussels to discuss the impact of the restructuring of the steel industry within the community. Official start of the 1993 EC budget review in Brussels. European Community industry council meets in Brussels. Preliminary results from British Gas, Royal Dutch/Shell and ICI.
FRIDAY: Confederation of British Industry publishes trends enquiry (February). Engineering sales and orders at current and constant prices (December). US gross domestic product (fourth quarter-preliminary). North Atlantic Council holds special ministerial meeting in Brussels. Mr Warren Christopher, US Secretary of State, meets EC officials in Brussels.

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*607)	600	32	45	55	16	36	43
	650	11	22	33	48	67	74
ASDA (*64)	57	10½	13	15	3	5½	6½
	67	5½	10	10½	7½	10	12
Brit. Airways (*288)	280	19	26	31	12	23	27
	300	9½	18	23	22	35	38
SmKl Bchm A (*432)	420	29	44	53	13	25	30
	460	11	26	35	39	48	53
Boots (*500)	500	23	33	45	17	32	37
	550	5	15	25	51	63	67
B P (*264)	260	15	24	28	9	17	21
	280	6½	15	19	22	28	32
British Steel (*75)	70	9½	14	16	4	7	9
	80	4	9	11½	8½	12½	15
Bass (*603)	600	25	43	56	24	38	45
	650	7½	24	35	55	70	75
C & Wire (*739)	700	55	72	88	11	26	34
	750	25	43	59	32	50	57
Courtaulds (*568)	550	36	49	59	14	29	37
	600	13	26	37	43	58	65
Com. Union (*586)	550	20	37	48	26	37	48
	600	5	18	36	64	70	79
Fisons (*237)	220	30	40	48	9	22	28
	240	20	30	39	20	32	39
GKN (*480)	460	29	39	48	15	24	30
	500	8½	22	31	41	48	51
Grand Met. (*450)	420	42	56	65	6½	16	23
	460	17	31	41	23	36	42
I.C.I. (*1116)	1100	39	72	87	55	79	100
	1150	20	50	66	92	110	135
Kingfisher (*575)	550	43	53	62	13	29	36
	600	15	29	39	39	55	68
Ladbroke (*197)	180	24	29	36	7½	15	22
	200	12	20	26	19	27	33
Land Secur (*474)	460	28	36	40	9	26	28
	500	7½	15	22	32	52	54
M & S (*336)	330	17	24	32	8½	19	22
	360	5½	12	19	28	38	40
Sainsbury (*520)	500	34	45	55	9	23	27
	550	9	21	30	38	50	55
Shell Trans. (*579)	550	31	43	50	11	19	28
	600	7	26	25	44	48	56
Storehouse (*189)	180	19	28	32	7	15	17
	200	8	17	25	17	25	28
Trafalgar (*77)	70	10	14	18	3	5	6½
	80	6	9½	11½	7	12	15
Utd. Biscuits (*354)	330	28	34	40	8½	15	19
	360	9	17	24	28	32	36
Unilever (*1145)	1100	64	83	105	19	34	41
	1150	29	54	73	44	57	64

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*261)	260	8	28	41	7	30	38
	280	4	21	34	20	42	52
BAA (*789)	750	40	60	71	1	14	27
	800	4	31	43	17	37	50
BAT Inds (*962)	950	23	44	62	7	43	52
	1000	3	23	42	39	75	82
BTR (*555)	550	10	32	34	4	24	29
	600	1	6½	15	47	60	63
Brit. Telecom (*400)	390	13	27	33	2	9	17
	420	1	11	17	19	24	34
Cadbury Sch (*462)	460	9	21	31	5½	24	30
	500	2	8	16	39	53	56
Eastern Elec (*449)	430	21	-	-	2	-	-
	460	3	19	27	16	26	40
Guinness (*466)	460	12	27	37	3½	24	29
	500	1	11	21	35	49	54
GEC (*297)	280	19	25	30	1	6	12
	300	3	14	19	8	13	21
Hanson (*247)	240	8½	15	18½	1	8	13
	260	1½	7	10½	14	19	24
LASMO (*179)	160	22	28	34	1½	9	15
	180	5	13	24	6	20	25
Lucas Inds (*145)	140	8	16	22	4	13	17
	160	1	9	13	17	25	30
P. & O. (*557)	550	14	37	47	5½	40	50
	600	1	17	28	45	74	82
Pilkington (*115)	110	7½	16	20	3	10	14
	120	2½	12	16	8	15	20
Prudential (*311)	300	13½	22	27	1½	14	18
	330	1½	8	15	20	32	36
R.T.Z. (*646)	600	50	57	70	2	17	27
	650	10	28	43	11	43	50
Scott. & New (*432)	420	15	32	42	2½	13	26
	460	1	13	22	31	36	50
Tesco (*242)	240	5	16	21	6	16	19
	260	1	7½	16	22	30	33
Thames Wtr (*511)	500	14	31	36	3	15	27
	550	1	10	15	42	46	60
Vodafone (*394)	390	9	20	37	5	20	28
	420	1	15	24	28	39	46

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*376)	360	22	30	38	11	18	25
	390	6½	16	24	28	35	41
Amstrad (*24)	20	5½	7	7½	1	1½	2
	25	2	4	4	3	3½	5
Barclays (*440)	420	28	39	49	14	25	36
	460	8	20	31	40	48	58
Blue Circle (*233)	220	21	25	35	8	22	27
	240	11	18	26	18	32	38
British Gas (*287)	280	13½	17	22	5½	13½	17
	300	4½	8	14	17	27	29
Dixons (*226)	220	16	24	29	10	16	20
	240	7	16	20	22	27	34
Eurotunnel (*480)	460	38	59	75	17	38	45
	500	18	39	56½	40	58	65
Glaxo (*666)	650	34	59	80	22	41	51
	700	14	36	57	54	69	80
Hillsdown (*154)	140	18	22	24	3	10	14
	160	6	11	15	12	22	26
Lonrho (*89)	80	12	17	21	2½	7	10
	90	6½	12	16	6½	11	15
HSBC 75p shs (*581)	550	45	58	74	11	30	39
	600	17	33	50	33	56	65
Natl Power (*315)	300	21	32	36	5	11½	18
	330	6	16	20	19	25	33
Reuters (*1311)	1300	49	90	120	42	74	94
	1350	[illegible]	65	94	75	105	120
R. Royce (*125)	120	11	14½	18	5	10½	13
	130	5½	9½	13½	10	15½	18½
Scot Power (*234)	220	17	23	28	2	6	13
	240	4½	13	18	10	15	24
Sears (*102)	100	4	9	13	3½	8	11
	110	2½	4½	8½	12	16	17½
Forte (*195)	180	19	[illegible]	28	4½	13	18
	200	9	15	19	12	24	29
Thorn EMI (*850)	850	26	49	63	21	34	55
	900	7½	26	40	56	64	84
TSB (*168)	160	15	[illegible]	25	5	9	14
	180	6	12	16	16	20	28
Vaal Reefs (*540)	40	4	5½	6½	2½	4	6
	45	1	3½	4½	½	7	9
Wellcome (*922)	900	42	75	100	24	49	64
	950	21	50	76	53	75	90

EURO FT-SE INDEX (*2838)

	2675	2725	2775	2825	2875	2925	2975	3025
CALLS								
Feb	165	115	66	18	½	½	½	½
Mar	176	131	91	59	34	18	8	4
Apr	-	149	-	82	-	38	-	15
Jun	-	180	-	119	-	71	-	42
Sep	-	225	-	165	-	120	-	85
PUTS								
Feb	½	½	½	½	36	86	136	186
Mar	8	13	24	41	66	100	141	187
Apr	-	29	-	60	-	115	-	191
Jun	-	52	-	88	-	140	-	207
Sep	-	78	-	115	-	165	-	230

FT-SE INDEX (*2838)

	2650	2700	2750	2800	2850	2900	2950	3000
CALLS								
Feb	190	140	90	40	½	½	½	½
Mar	201	154	113	75	45	23	12	5
Apr	214	171	132	98	69	47	30	18
May	228	189	151	118	90	68	49	36
Jun	-	200	-	134	-	84	-	48
Dec †	-	285	-	225	-	170	-	120
PUTS								
Feb	½	½	½	½	11	61	111	161
Mar	6	10	18	32	53	84	123	168
Apr	15	23	34	51	73	101	136	175
May	27	37	50	68	91	118	150	187
Jun	-	48	-	81	-	130	-	198
Dec †	-	100	-	140	-	183	-	235

February 19 Total Contracts 23,662
Calls 12,882 Puts 10,780
FT-SE Index Calls 4,280 Puts 3,536
Euro FT-SE Calls 246 Puts 1,183
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	38	Ratners	3	Land Sec.	40
Allied-Lyons	50	Charter Cons.	82	Hanson	20	Reed Intl	52	MEPC	30
Amstrad	3½	Comm Union	52	ICI	76	Sears	9	Mountleigh	4
Astec (BSR)	3½	Courtaulds	46	Ladbroke	15	SmKl Bchm A	40	■ OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	32
BOC	56	FKI	12	Lex Service	10	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	T & N	15	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	Unilever	72	Shell	
Bowater	40	GEC	22	NatWest Bank	30	Vickers	9	■ MINES	
Brit Aerospace	24	Glaxo	65	P & O Dfd	40	Wellcome	75	RTZ	62
British Steel	6	Grand Met	40	Racal Elect	12	■ PROPERTY			
Brit Telecom	25	GRE	16	Rank Org	63	Brit Land	7		

FT FIXED INTEREST INDICES

	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Year ago	High *	Low *
Govt Secs (UK)	98.32	98.13	98.00	95.95	95.85	88.21	98.32	85.11
Fixed Interest	112.06	111.83	111.75	111.69	111.62	101.21	112.06	97.16

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 112.06 (19/2/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Feb 18	140.8	145.9
Feb 17	138.6	145.1
Feb 16	149.0	145.7
Feb 15	143.2	148.1
Feb 12	158.2	152.0

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Sugar breaks into higher ground

A SERIES of bullish developments this week enabled the world sugar market to break free of the straitjacket that had been confining prices for some time.

Having traded mostly between 8 cents and 8.5 cents a lb since last autumn the prompt March futures position at New York's Cocoa, Sugar and Coffee Exchange leapt in mid-week to 9 cents, a level last seen on November 2, and moved on to a five-month high of 9.53 cents before edging back yesterday afternoon.

Market sentiment has hardened in recent weeks as analysts' assessments of the likely sugar supply surplus in the 1992-93 season have been reduced. London trader E.D. & F. Man now expects supply to exceed demand by some 1.5m tonnes (about 1.3 per cent of annual production), compared with the 3.4m tonnes it was forecasting earlier. And this week C. Czarnikow, another London trade house, which in November was forecasting an 830,000-tonnes surplus, this week adjusted this to a 370,000-tonne deficit (after allowing for "unrecorded disappearance" of 600,000 tonnes).

However, the factor that changed firmness into strength this week was talk circulating among traders that Cuba had been forced to buy 100,000 tonnes of sugar from Thailand to enable it to honour supply commitments to China and other Asian countries. Cuban sugar minister Mr Juan Herrera warned earlier this month that lack of basic inputs had "caused delays in the start-up of a significant number of mills".

Also supporting the market were: a surprise announcement of a 160,000-tonne Kenyan buying tender for next Monday; a 14,000-tonne Moroccan buying tender; talk of Cuban sales to Mexico and of a 100,000-tonnes sale to Indonesia; and a cut in Thailand's harvest forecast from 49.15m tonnes of cane to 43m tonnes.

"There have been several important changes in the statistical outlook for the 1992-93 crop cycle with adjustments to the supply side of the balance predominating," said Czarnikow in the February 17 issue of its Sugar Review. "Production for the season has fallen by some 1.32m tonnes since our world forecasts in November and is now expected to slip below last season's output by some 1.87m tonnes."

The trade house now estimates world sugar production at 114.57m tonnes, compared with 115.89m in November, and consumption at 114.51m tonnes, compared with 114.48m tonnes.

Cocoa prices put in another steady performance as producers and consumers prepared for next week's International Cocoa Agreement (ICCA) negotiations in Geneva. In late trading yesterday the New York market's May position was quoted at $932 a tonne, up $7 on the week. In London, however, that firmness was obscured by the dollar's decline against sterling and the London Future's and Option's Exchange's May cocoa contract ended £3 down on the week at £734 a tonne.

The Geneva meeting will mark the fourth and final attempt to agree a price-stabilisation pact to replace the moribund one that expires on September 30. Delegates were moving towards agreement at the last session, in November, that efforts to steady the market should be based on the withholding of between 330,000 and 380,000 tonnes of surplus beans from the market. But they remained far apart on how that was to be financed and on what price range was to be defended.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+2,100	to 1,650,550
Copper	unchgd	at 319,425
Lead	−650	to 234,425
Nickel	+1,176	to 62,164
Zinc	+7,600	to 546,600
Tin	+15	to 17,135

The existing ICCA, agreed in 1986, ceased to operate as a market support pact early in 1988, when its buffer stock reached the 250,000-tonnes ceiling.

All but one of the London Metal Exchange's contracts finished down on the week, the biggest fall being in copper, which closed yesterday at £1,551.25 a tonne for three months delivery, down £30.50 on the week. But, as with cocoa's fall, the culprit was the sterling rally, but for which the price would have been modestly higher.

Dealers said the copper market was supported by concern over production stoppages in Mexico and Papua New Guinea and the expectation of Chinese buying on any dip to $2,220 a tonne, about $7 below the dollar equivalent of yesterday's close. But market remained trapped in a narrow range, they added, with overhead resistance expected at $2,231 a tonne.

After most of an early fall had been recovered in mid-week the aluminium market ended on the downbeat, with the cash position closing yesterday at $1,204.50 a tonne, down $4 on the day and $7.75 on the week.

The market had been steady in the morning, underpinned by talk of further production cuts following Alumax's announcement on Thursday that it was reducing output by about 36,000 tonnes a year at its Mount Holly smelter. Fears that the Bonneville Power Administration restrictions could increase energy costs for some US smelters were also providing support. But prices again ran into overhead resistance and fell away during the afternoon.

Among the precious metals platinum and palladium prices reversed last week's gains as confidence was rocked by nervousness about US economic policy and a report that Japanese car makers were to cut imports of the metals, both of which are used in exhaust catalysts.

Dollar weakness helped gold to mount another assault on the upper end of its recent $327-$332 a troy ounce trading range on Tuesday. Once again it was repelled, as was a fresh attempt yesterday.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Feb 19	Day's change %	Thu Feb 18	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.40	+0.18	129.17	1.72	1.72
2	5-15 years (22)	148.52	+0.28	148.10	1.68	2.61
3	Over 15 years (8)	156.61	+0.41	155.98	1.51	1.80
4	Irredeemables (6)	178.59	+0.73	177.30	3.32	0.00
5	All stocks (60)	144.70	+0.27	144.31	1.67	2.16
	Index-Linked					
6	Up to 5 years (2)	183.33	+0.02	183.30	0.04	1.51
7	Over 5 years (12)	170.61	+0.11	170.42	0.64	0.87
8	All stocks (14)	171.16	+0.10	170.98	0.56	0.96
9	Debs & Loans (66)	127.04	+0.33	126.62	1.92	1.86

AVERAGE GROSS REDEMPTION YIELDS

			Fri Feb 19	Thu Feb 18	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.33	6.37	8.60	10.03 15/9 /92	6.33 19/2 /93
2	Coupons	15 years	7.82	7.84	9.16	9.72 1 /4 /92	7.82 19/2 /93
3	(0%-7¾%)	20 years	8.15	8.17	9.16	9.72 1 /4 /92	8.15 19/2 /93
4	Medium	5 years	6.92	6.96	9.41	10.28 1 /4 /92	6.92 19/2 /93
5	Coupons	15 years	8.32	8.35	9.24	9.82 1 /4 /92	8.32 19/2 /93
6	(8%-10¾%)	20 years	8.49	8.52	9.20	9.76 1 /4 /92	8.49 19/2 /93
7	High	5 years	7.10	7.15	9.65	10.50 1 /4 /92	7.09 12/2 /93
8	Coupons	15 years	8.59	8.63	9.34	9.96 1 /4 /92	8.59 19/2 /93
9	(11%-)	20 years	8.67	8.72	9.27	9.90 5 /10/92	8.67 19/2 /93
10	Irredeemables(Flat Yield)		8.57	8.63	9.34	9.92 2 /4 /92	8.57 19/2 /93
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	2.01	1.99	3.64	5.06 16/9 /92	1.82 12/2 /93
12	Inflation rate 5%	Over 5 yrs.	3.52	3.52	4.30	4.76 16/9 /92	3.52 15/2 /93
13	Inflation rate 10%	Up to 5 yrs.	1.13	1.10	2.95	4.23 16/9 /92	0.92 12/2 /93
14	Inflation rate 10%	Over 5 yrs.	3.33	3.33	4.11	4.56 16/9 /92	3.32 15/2 /93
15	Debs &	5 years	8.62	8.65	10.83	11.51 6 /4 /92	8.56 12/2 /93
16	Loans	15 years	9.42	9.46	10.62	11.22 6 /4 /92	9.42 19/2 /93
17		25 years	9.65	9.69	10.46	11.02 6 /4 /92	9.65 19/2 /93

INTERNATIONAL COMPANY NEWS

Honda tumbles 16.9% to Y18bn on surge in yen

By Charles Leadbeater in Tokyo

THE SLIDE in profits at Honda, the Japanese car manufacturer, continued unabated as the company reported a 16.9 per cent drop in consolidated pre-tax profits to Y18.23bn ($150.7m) for the third quarter to end-December.

However, the results suggest the fall in Honda's profits may be reaching its bottom, especially if planned new models increase sales in the US as demand there recovers. The group is enjoying a dramatic surge in demand for motorcycles from China.

Honda's pre-tax profits fell largely because foreign exchange losses from the surge in the yen against the dollar and higher interest charges offset improvements in operating income.

Operating income was 4.6 per cent higher in the three months between last October and December at Y23bn. Mr Yoshihide Munekuni, executive vice president, said this was a reflection of cost cutting and lower depreciation charges from reduced investment.

Consolidated capital expenditure at Honda rose by 70 per cent between 1989 and 1990 as it established its manufacturing base in the US, which accounts for about 43 per cent of sales. Capital expenditure peaked in the year to March 1990 at Y311.7bn, while the depreciation charge peaked a year later at Y191bn. This year's capital spending is expected to be down to about Y180bn, while depreciation charges are likely to be Y175bn.

Interest charges have risen as the company has borrowed more to fund its Y77.5bn of warrant bond redemptions.

Automobile sales fell by 10 per cent in the quarter, dipping to Y785bn, largely because of sluggish recovery in the US and downturn in Japan. Unit sales were 6.9 per cent down at 435,000 units.

Honda should be well placed to exploit the expected recovery of the US car market, according to Mr Andrew Blair-Smith, an industry analyst at BZW, the UK stockbroker.

Motorcycle sales are surging, largely because of strong demand from south east Asia. Motorcycle revenues rose 15.2 per cent to Y122.8bn.

Pioneer slides 54% as Akai plunges into loss

By Michiyo Nakamoto in Tokyo

THE severity of the recession in consumer electronics was underlined yesterday by poor results from two Japanese manufacturers.

Pioneer, the specialised audio and video manufacturer known for its *karaoke* systems, reported a 54 per cent drop in third quarter pre-tax profits as demand for its mainstay products declined sharply in Japan and abroad.

Akai Electric, which makes audio products and VCRs, meanwhile, plunged into loss for the year to November 20 1992. Both companies blamed the reversals on the economic slowdown worldwide, particularly in Japan, and on the appreciation of the yen.

Pioneer reported a 9.6 per cent fall in sales to Y167.48bn ($1.38bn) for the three months to December. Pre-tax profits fell to Y11.43bn from Y24.67bn a year earlier.

Demand fell for its audio and video products, particularly compact stereo systems, CD players and commercial laser *karaoke* machines. Sales of car navigation systems, car CD players and software increased, however, while projection TVs sold well in the US. Car navigation systems sales nearly tripled in value.

Pioneer said that in spite of continuing weak demand, it was maintaining research and development expenditure while cutting capital spending by about Y2bn. The company has recently been criticised for telling 35 older managers to retire or face dismissal.

Pioneer is in talks to restructure Carolco, the loss-making US film production company in which it invested $100m for a stake of just under 20 per cent. Any deal would involve a further $40m investment.

Akai reported third-quarter pre-tax losses of Y554m, against profits of Y1.73bn last time. Sales fell nearly 10 per cent to Y87.26bn (Y96.83bn), hit particularly hard by the fall in demand for VCRs, one of its main product areas.

The company, which has 90 per cent of its sales overseas, was also adversely affected by currency fluctuations.

JVC plans German closure to stem losses

By Charles Leadbeater

VICTOR Company of Japan (JVC), the consumer electronics group which specialises in video equipment, is planning to close one of its manufacturing plants in Germany to stem mounting losses.

The move would be one of the most radical yet taken by one of Japan's electronics groups to cut costs in the face of a prolonged slump in demand. It is almost unheard of for a Japanese group to close a production plant and lay off workers, even abroad.

The move suggests more Japanese companies may start to retrench from overseas operations established in the 1980s when funds for investment were cheap in Japan.

JVC said a videocassette manufacturing plant in Germany would dismiss all its local employees, while a holding company in the Netherlands would be absorbed by another German subsidiary.

The closures and the planned sale to a related company of some office buildings in Tokyo, should compensate for the loss JVC expects for the year to end-March. It would be JVC's second deficit after a pre-tax loss of Y2.3bn last year, the first loss for four decades.

In October JVC reported a first-half Y13.5bn parent company per-tax loss.

Rise in interest payments hits Asahi Breweries

By Emiko Terazono in Tokyo

ASAHI Breweries, Japan's second largest brewer with a 24 per cent market share, yesterday posted a sharp fall in unconsolidated profits for 1992 partly due to a rise in interest payments on its bonds.

Asahi, which holds a 17 per cent stake in Foster's Brewing of Australia, reported that pre-tax profits plunged 19.6 per cent to Y14bn ($115.7m) despite a 4.3 per cent rise in sales to Y770.6bn. After-tax profits fell 34.2 per cent to Y4bn.

Operating profits surged 90.7 per cent to Y35.9bn thanks to cost cutting and a sharp increase in bulk sales of non-alcoholic beverages, with a large profit margin.

For the full year to December, Asahi expects pre-tax profits to rise 3.3 per cent to Y14.6bn on a 5.1 per cent increase in sales to Y810bn.

Olivetti pins survival hope on specialisation

Can Carlo De Benedetti save his company twice? Alan Cane and Haig Simonian report

Mr Carlo De Benedetti, Olivetti chairman, cuts through the politely oblique inquiries about his company's health like a surgeon wielding a scalpel: "The question you should be asking," he says reprovingly, "is can Olivetti survive?"

His point is well taken. Olivetti may still be the largest European-owned manufacturer of personal computers, printers and related equipment, but its financial results in the past two years have made dismal reading.

The company lost L460bn ($297.5m) in 1991 after heavy restructuring costs and is likely to post an operating loss for 1992 of between L300bn and L350bn. Further restructuring charges are expected to add substantially to the final loss figure, bringing it up to an estimated L750bn.

Mr De Benedetti, whose holding company, CIR, has a 38 per cent stake of Olivetti's ordinary shares, has no doubts that the group cannot survive for long without stemming the flow of red ink and returning to profitability.

He claims, however, that Olivetti's chief problems are not financial, drawing attention to its strong balance sheet and predominantly long-term maturity of its debts. "Our problem is whether we can successfully execute our survival strategy. We have to convince our large customers that we will be around in five years' time," he says.

Olivetti, in common with the rest of the world's main computer manufacturers, has been hit hard by profound changes in the indystry's structure.

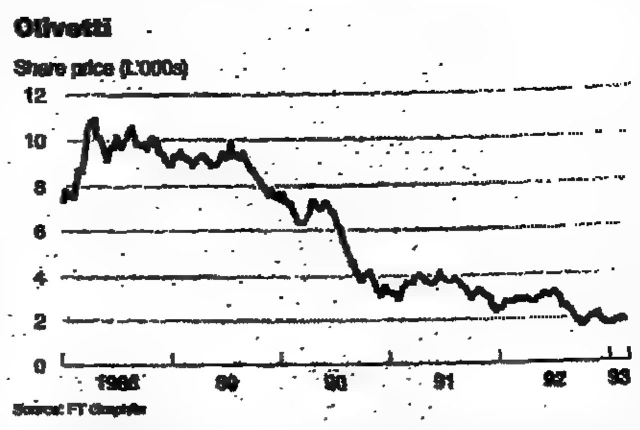
Hardware prices have plummeted – personal computer prices fell by 75 per cent between 1991 and 1992. Customers are demanding "open" or industry-standard computers that command low gross profit margins rather than the proprietary designs which have dominated the industry to date.

Olivetti's sales fell 6.8 per cent from L8,607bn to L8,025bn in 1992, reflecting lower hardware costs, intense competition and the state of the European economy.

The company, however, is also fighting to eliminate the effects of two disastrous strategic errors that have compounded its problems.

- The purchase of the office equipment manufacturer Triumph Adler from Volkswagen in 1986. Triumph Adler will represent the largest element in the 1992 losses – half in operating losses, half in restructuring charges. The restructuring element is believed to have amounted to about L150bn. A further, much smaller, charge will have to be taken this year; by December, Triumph Adler will have fewer than 200 staff compared with 3,000 in 1988.
- The decision in 1988 by Mr Vittorio Cassoni, the former managing director to meet the challenge of a fragmenting market by dividing the company into three separate units to handle office products, systems and networks and information services. The duplication of effort cost Olivetti dear as the overall market collapsed. The three divisions have been wrapped back into a single company.

Mr De Benedetti believes Olivetti has three characteristics that will enable it to survive its greatest test.



Source: FT Graphite

First, it has proved its culture is adaptable to change. When he bought into Olivetti in 1978, it was a loss-making typewriter company. He earned his international reputation transforming the Ivrea-based concern into Europe's most successful personal computer manufacturer, shifting first from mechanical to electronic typewriters, then into PCs.

But can Mr De Benedetti manage the trick a second time? He says the company has adaptability in its genes. He took day-to-day control of Olivetti in 1991, moving Mr Cassoni sideways to the role of international ambassador.

More recently he has appointed Mr Corrado Passera, one of his most trusted lieutenants, to the post of joint managing director, but he emphasises his continuing personal and financial commitment to the company.

"Olivetti is my life. It is run by an entrepreneur who is here in the office every day and who has no interest in short-termism," says Mr De Benedetti.

Second, it has made the right strategic choices. It has already moved away from manufacturing in favour of software and services: "We do not have factories any more," Mr De Benedetti says, with only a little hyperbole. At one stage in the 1980s, there were 14,000 people in manufacturing. By the end of the year there will be only 4,700.

Mr Passera fleshes out the strategy: "We have become a systems company. Our turnover can now be subdivided into three parts of more or less equal size – professional services, systems and products. Office products, for example, which used to generate 80 per cent of revenues, now generate only 10 per cent."

"Our focus is on Europe and on specific industries such as banking and financial services. Other markets are marginal. Our target size for the end of 1993 is 37,000. That gives us critical mass for professional services and for networking."

The strategy means the company will be retrenching in regions such as Australia, the US and Canada, where the aim will be to avoid losses rather than make profits.

The company is committed to open systems and has secured a number of strategic alliances, giving it access to leading-edge technology, the most recent with Digital Equipment of the US. In return for a 4 per cent equity stake, Olivetti will have access to Digital's new alpha microprocessor, said to be the world's fastest.

It is possible, Mr Passera says, that the company could develop a fourth industrial specialisation in telecommunications through a strategic alliance with a telecommunications company. Italian analysts have regularly speculated on some form of link with the state-owned STET telecommunications group. This, however, seems unlikely, not least because of domestic political differences between Mr De Benedetti and some of the governing parties.

The third leg in Mr De Benedetti's survival strategy is financial strength. The balance sheet is strong and even after this year's losses, he says, the company will have $3bn in cash.

It expects to break even at the operating level, including financial charges this year, and make a profit in 1994.

Some may remember Mr Cassoni making similar forecasts for 1992 little more than a year ago. It will be a vital test of Mr De Benedetti's campaign to convince customers of Olivetti's staying power that the numbers come out closer to expectations this time round.

Pirelli sees improvement but will remain in the red

By Haig Simonian in Milan

PIRELLI, the Italian tyres and cables group, yesterday warned that its 1992 accounts, to be reported in May, would show an improvement on the L622bn ($402.3m) lost after minority interests in 1991. But its results would remain in the red owing to high interest charges and increased depreciation costs.

Pirelli expects to report substantial extraordinary gains from sales of subsidiaries in its diversified products division. However, such earnings would be partly lowered by write-offs on the value of some operations still being divested.

Earnings last year also suffered from deteriorating economic conditions, which had required additional restructuring measures to be taken. Some L50bn more had been spent than was allocated at the end of 1991, while a further L140bn had been put aside for restructuring costs expected this year, almost entirely on the cables side.

The group reported a sharp fall in consolidated sales to about L8,300bn last year against L10,034bn in 1991. Adjusted for disposals, turnover rose by about 2 per cent.

Gross operating earnings, before depreciation, interest charges and tax, rose by 30 per cent to about L770bn.

Cash flow returned to the black from being negative in 1991, while Pirelli's debt-equity ratio improved to 0.85 from 1.4 in 1991.

Fiat grouping buys stake in German builder

By Haig Simonian

FIAT-IMPRESIT, Italy's biggest construction group, which is controlled by Fiat, has reached agreement with Germany's Treuhand privatisation agency to take a 25.1 per cent stake in Magdeburger Hochbau, a leading building company in the former east Germany.

Fiat is leading a consortium comprising four west German building companies and Norddeutsche-Mitteldeutsche Landesbank. No price for the transaction has been disclosed.

Magdeburger Hochbau has sales of about DM300m, and is believed to be losing about DM3m a month. The buyers have agreed to guarantee 2,900 jobs until the end of 1995.

CIBC to quit Australia and cut back in Europe

By Bernard Simon in Toronto

CANADIAN Imperial Bank of Commerce, Canada's second biggest financial institution, is closing its operations in Australia and cutting back its presence in Europe.

CIBC has had a presence in Australia since 1966, specialising in resource and infrastructure financing, gold hedging and treasury activities. The operation is understood however, to have been unprofitable for the past few years.

CIBC said yesterday that the Australian subsidiary, which employs 85 people at offices in Sydney, Melbourne and Perth, would be wound down or sold over the next three years. A capital markets division in Sydney was closed last year.

In Europe, the bank will shut or sell operations in Frankfurt, Milan and Paris, which together employ 90 people. European customers will in future be served from CIBC's large office in London. CIBC continues to maintain private banking and trust administration businesses in Switzerland and Guernsey.

All five leading Canadian banks have pulled in their horns overseas since the mid-1980s to concentrate on their North American business.

Mr John Hunkin, president of CIBC's investment and corporate banking division, said the bank's business in Europe will in future focus on trade finance, Canadian dollar products and the energy, utilities, media and communications sectors. The bank also has a presence in securities markets.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$330.25	+1.80	$351.95	$358.40	$327.35
Silver Per troy oz	252.5p	-6.00	235.70p	265.50p	187.56p
Aluminium 99.7% (cash)	$1204.5	-7.75	$1295.0	$1339.0	$1105.5
Copper Grade A (cash)	£1528.0	-31.5	£1261.25	£1561.0	£1125.0
Lead(cash)	£285.5	-7.25	£285.75	[illegible]	£277.80
Nickel (cash)	$6225.0	+137.5	$7970	$8195.0	$5315
Zinc SHG (cash)	$1062.5	-0.5	$1108.5	$1457.5	$1019.0
Tin (cash)	$5800.0	-15.0	$5656	$7115.0	$5425.0
Cocoa Futures (May)	£734	[illegible]	£692	£751	£523
Coffee Futures (Mar)	$952	+27	£489	$1039	$676
Sugar (LDP Raw)	$232.0	+11.9	$207.9	$272.6	$193
Barley Futures (May)	£140.15	+0.20	£118.45	£139.95	£106.90
Wheat Futures (May)	£144.30	+0.70	£127.35	£144.95	£109.85
Cotton Outlook A Index	61.95c	+1.20	55.65c	65.90c	52.25c
Wool (64s Super)	400p	n/c	470p	480p	364p
Oil (Brent Blend)	$18.25x	-0.19	$17.825	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Apr. n/c-no change.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$15.97-6.01	+.320
Brent Blend (dated)	$18.24-8.38	+.305
Brent Blend (Apr)	$18.24-8.28	+.360
W.T.I (1 pm est)	$19.83-9.85	+.300
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	+1
Gas Oil	$170-171	+2
Heavy Fuel Oil	$71-72	+1
Naphtha	$169-171	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$330.25	+0.20
Silver (per troy oz)♣	363.0c	-1.50
Platinum (per troy oz)	$359.25	-2.25
Palladium (per troy oz)	$109.00	-3.00
Copper (US Producer)	104.0c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.99r	-0.01
Tin (New York)	267.5c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	126.73p	+3.09*
Sheep (live weight)†♣	109.51p	+4.63*
Pigs (live weight)†	82.09p	+0.61*
London daily sugar (raw)	$232.0	-7.0
London daily sugar (white)	$268.0	-3.0
Tate and Lyle export price	£269.5	-8.0
Barley (English feed)	£140.0z	
Maize (US No 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	67.75p	-0.25
Rubber (Apr)♥	68.00p	-0.25
Rubber (KL RSS No 1 Feb)	232.0m	-0.5
Coconut oil (Philippines)§	$442.5y	-2.5
Palm Oil (Malaysian)§	$437.5w	
Copra (Philippines)§	$277.5	
Soyabeans (US)	£183.0u	-2.0
Cotton "A" Index	61.95c	+0.70
Wooltops (64s Super)	400p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr x-Aug. w-Feb/Mar z-Mar ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX		($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**
Mar	199.00	208.00	199.00 198.00
May	212.00	214.00	217.00 211.00
Aug	212.00	214.00	212.00
White	**Close**	**Previous**	**High/Low**
May	263.50	266.50	265.00 263.00
Aug	265.00	268.40	268.00 264.40
Oct	250.40	254.40	251.50 249.60

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	724	718	724 712
May	734	728	734 720
Jul	746	741	746 734
Sep	757	750	757 745
Dec	778	770	767 764
Mar	795	791	785 784
May	809		804 798
Sep	836	833	830
Dec	861	858	854 853

Turnover: 4612 (6346) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 19 732.88 (732.23) 10 day average for Feb 16 719.10 (716.86)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Mar	952	949	955 945
May	[illegible]	945	955 941
Jul	925	917	930 915
Sep	933	925	935 927
Jan	955	947	944

Turnover 2287 (2778) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 18: Comp. daily 58.15 (57.52) 15 day average 56.58 (56.28)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	42.0	42.0	42.3 42.0
May	[illegible]	44.0	[illegible]
Apr	88.0	90.0	88.5 86.0

Turnover 57 (55) lots of 20 tonnes.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Currencies resist pointers

A HANDFUL of signals from the world's financial leaders did little more than leave international currencies wallowing yesterday, *writes Peter John*.

Mr Alan Greenspan, the chairman of the US Federal Reserve, hinted he was unlikely to raise interest rates. The Bundesbank stamped on hopes that it might cut interest rates soon. Japanese ministers worked to slow the rise of the Yen. And in the UK, the 'Seven Wise Men' stood out against higher taxes, a move that might prompt a base rate cut.

However, the respective currencies did little to reflect the comments and it was left to the Swedish Krona to make a decisive shift while ministerial resignations in Italy prompted heavy selling of the Lira.

The dollar spent most of the day around the DM1.63 level and ended little changed in Europe at DM1.6360, up from DM1.6335.

The generally stronger pound rose to $1.4530 from $1.4455.

In Japan, the Yen failed to respond to comments by Mr Yoshiro Mori, the minister for International Trade and Industry, that it had risen too fast. After closing at Y119.30 against the dollar in Tokyo overnight it rose to Y119.10 with one one economist forecasting Y115 shortly.

Sterling rallied from recent doldrums as expectations of an early rate cut faded. The pound was almost three pfennigs higher against the D-Mark at one stage but sellers moved in toward the close and it ended the day 1.75 pfennigs better at DM2.3775. There was a feeling that it could breach DM2.40 soon. However, Mr Neil Mackinnon, the senior economist with Citibank commented: "The bounce in retail spending and the recent recovery in bank lending were one-offs. Given the upward trend in unemployment a further rate cut is on the cards."

In Sweden, the central bank intervened to support the krona for the third day running after it hit a record low of SKr4.66 against the D-Mark. Nevertheless, some economists predict that with inflation falling and the economy in recession, the currency will fall to SKr4.80 within the next six months. The krona rallied to SK4.6172 against the D-Mark from SKr4.6208.

Meanwhile, the Lira was under pressure after an announcement that two government ministers had resigned, generating worries about the stability of prime minister Giuliano Amato's administration. The Lira closed at L959.2 against the D-Mark, down from L953.4.

In Spain, the central bank intervened to support the peseta which has been falling steadily against the D-mark. The Spanish currency rallied to Pta71.70 from Pta71.78.

£ IN NEW YORK

Feb.19	Latest	Previous Close
£ Spot	1.4530-1.4540	1.4470 1.4480
1 month	0.37-0.36pm	0.37 0.34pm
3 months	1.07-1.04pm	1.07 1.04pm
12 months	2.90-2.80pm	3.05 2.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4530	2.4495	1.4425	1.4352	1.4242
D-mark	2.3775	2.3820	2.3908	2.4020	2.4160
French Fr.	8.0500	8.0535	8.0607	8.0697	8.0800
Swiss Fr.	2.1900	2.1908	2.1877	2.1853	2.1786
Yen	173.00	172.59	171.76	170.83	169.08

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	139.206	-2.07	2.41	36
Irish Punt	0.809996	0.795488	-1.79	2.11	66
Portuguese Escudo	180.624	177.541	-1.71	2.05	29
Belgian Franc	40.2802	39.9677	-0.78	1.07	22
Dutch Guilder	2.20045	2.18455	-0.72	1.02	20
D-Mark	1.95294	1.94039	-0.64	[illegible]	21

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

German M3 tumbles

A BIG fall in German money supply gave initial hope for a cut in interest rates shortly. However, further consideration suggested the drop merely reflected the new base on which the figures are calculated, *writes Peter John*.

The Bundesbank announced yesterday that M3 money supply contracted at an annualised rate of 2.3 per cent in January after an 8.7 per cent rise in December.

UK clearing bank base lending rate
6 per cent
January 26, 1993

The news caught the markets by surprise and briefly sent German futures upwards. However, the figure was rebased on the fourth quarter of last year rather than the fourth quarter of 1991. The fourth quarter of last year saw money supply artificially boosted by the heavy intervention to prop up the French franc. Economists said that without the one-off outpouring of money M3 would actually have risen slightly.

Mr Brian Hilliard, an economist with Societe Generale Strauss Turnbull said: "It is not giving a clear signal of a cut in interest rates. The figures came out the day after a Bundesbank meeting. They must have been known on Thursday and if Germany wanted to cut it would have done so then."

Nevertheless, not everyone took such a bearish view and the June D-Mark future which opened at 92.90 was bid up to 93.00 before profit takers moved in and it settled at 92.97 with 44,000 contracts traded. One dealer argued that the contract was already discounting a 1¼ per cent fall.

In the UK, short sterling was bid up to 94.08 in the March contract with more than 23,000 lots dealt. March is generally viewed as a stable hedge as most analysts believe there will be no interest rate cut before the Budget.

Money market operations were comfortably settled with a reasonably large shortage well taken out. The Bank of England forecast a liquidity shortage of around £1.55bn. The majority of the shortage was taken out immediately with the central Bank buying £1,132m of bills. At the late morning round of assistance, the Bank nudged the forecast back to £1.5bn and bought £200m in band one bills at 5⅞ per cent. In the afternoon, the Bank bought a further £170m of bills at the same rate.

However, concerns continued that the concertina effect of a number of loans expiring next week will mean that money could become very tight.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
111	2.78	-	-	-	0.09	-
112	1.78	-	-	0.02	[illegible]	-
113	0.82	-	-	0.04	0.25	0.48
114	0.15	[illegible]	-	0.37	[illegible]	0.70
115	0.01	1.41	-	-	0.68	-
Open int	121,724	127,847	7,966	188,279	70,816	5,790

Estimated volume 41,609 † Total Open interest 523,431
† All Yield & Open interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 17 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,949,555,710	-	341,971,823
Bankers Deposits	1,534,753,133	-	89,503,856
Reserve and other Accounts	3,901,730,427	-	18,749,628
	8,399,592,270	-	450,225,306
ASSETS			
Government Securities	1,238,151,175	-	111,275,000
Advance and other Accounts	4,952,345,143	-	55,836,243
Premises Equipment & other Secs	2,201,835,926	-	284,696,791
Notes	7,045,819	+	1,602,100
Coin	214,207	-	17,372
	8,399,592,270	-	450,225,306
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,162,954,181	-	1,602,100
Notes in Banking Department	7,045,819	+	1,602,100
	16,170,000,000		no change
ASSETS			
Government Debt	11,015,100		
Other Government Securities	6,738,737,513	+	798,244,905
Other Securities	9,420,247,387	-	798,244,905
	16,170,000,000		no change

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	●United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	●Hill Samuel	6	Western Trust	6
●Brown Shipley	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate expressed to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 2918

Treasury 13¾% Stk 2000/03 – £133⅝ 133⅝

Exchequer 10½% Stk 2005 – £117⅞ (17Fe93)

Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) – £128⅞ ⅝ (16Fe93)

Corporation and County Stocks

No. of bargains included 1

Glasgow Corp 3½% Irrd Stk – £33 (15Fe93)

Leeds(City of) 13½% Red Stk 2006 – £134 (17Fe93)

Newcastle-Upon-Tyne(City of) 11½% Red Stk 2017 – £113 (15Fe93)

UK Public Boards

No. of bargains included 8

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 – £96¼ (15Fe93)
6¾% Deb Stk 92/94 – £96⅝ (15Fe93)
7¾% Deb Stk 91/93 – £99¾
10¾% Deb Stk 92/95 – £101¼♦

Clydeport Ld 3% Irrd Stk – £29
4% Irrd Stk – £37 (15Fe93)

Forth Ports Authority 3½% Funded Debt – £35 (17Fe93)

Metropolitan Water Metropolitan Water 3% A Stk 63/2003 – £63

Port of London Authority 3½% Stk 49/99 – £77‡ 6¾‡ ¾‡

Foreign Stocks, Bonds, etc–(coupons payable in London)

No. of bargains included 169

[illegible]

Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) – [illegible] (15Fe93)

Land Securities PLC 9½% Bds 2007 – £98⅝ (16Fe93)
9½% Cnv Bds 2004 (Br£5000&50000) – £106½

Lasmo PLC 7¾% Cnv Bds 2005 – £84♦
9½% Nts 1999 (Br £ Var) – £101¾ ⅝ (15Fe93)

Lloyds Bank PLC 10¾% Subord Bds 1998(Br£10000) – £109¼ (16Fe93)

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Investment Trusts

[illegible]

USM Appendix

No. of bargains included 813

[illegible]

Bedford(William) PLC Ord 5p – 98½ (16Fe93)

CMW Group PLC Ord 5p – 28 (16Fe93)

CRP Leisure PLC Ord 5p – 9 (17Fe93)

Chemex International PLC Ord 1p – 3 ½ ¾ (17Fe93)

Cooper Clarke Group PLC Ord 50p – 30 (15Fe93)

FBD Holdings PLC Ord IR£0.60 – IE1.9

Flextech PLC Ord 10p – 68 7

Gibbs Mew PLC Ord 25p – 175 (12Fe93)

Great Southern Group PLC 6.75p Cum Cnv Red Prf 5p – 110

Rule 535(2)

[illegible]

UAPT-Infolink PLC "A" Ord [illegible]

Veterinary Drug Co PLC Ord [illegible]

Westable Ld "A" Non.V Ord [illegible]

Wynnstay Properties PLC [illegible] (16Fe93)

Yates Bros Wine Lodges PLC [illegible] £1.85 (17Fe93)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Cape Range Oil A$0.4 (16/2)
Dainippon Screen Mfg. Y643 [illegible]
Idaho Power Co $29⅝
Keystone International £17¾ [illegible]
Killinghall Tin (Malaysia) [illegible] S$0.890051
Kulim Malaysia Ord 27.0 [illegible]
Lisrasia Resources 12 [illegible]
North Flinders Mines $4.26 [illegible]
Oil Search 97
Palabora Mining £11⅛♦
Playmates Hldgs M$2.975 [illegible]
Samantha Hldgs. A$1.287 [illegible]
Selangor Coconuts 30.0 (12/2)
Selangor Properties M$2.43 [illegible]
Singapore Land S$3.958
Storer Communications SKr[illegible]
United Overseas Land S$1.45 [illegible]
Wong Indl. HK$13.568 (17/2)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

Equities close firmly in calm trading

By Terry Byland,
UK Stock Market Editor

A NERVOUS week on the UK stock market closed with share prices edging higher as US markets continued to respond to President Clinton's State of the Union message, and an unexpected fall in German M3 money supply rekindled hopes that UK base rates could be reduced again soon. Trading volume in UK equities was steady rather than exciting but dealers said that market confidence had been helped by this week's UK economic data.

Although the 2.3 per cent fall in the German money supply figure was quickly described by the Bundesbank as a "distortion", the announcement reinforced sterling's firmness and also the view of some City analysts that a slowdown in the German economy will take the pressure off the pound, opening the way for further cuts in UK base rates.

Government bond prices gained more than half a point yesterday, encouraged also by comments from the team of independent UK economic forecasts known as the "seven wise men"; one of the team called for two more one point cuts in base rates in the next few months.

Index-linked gilts, the prime anti-inflation hedge instrument, lagged well behind the conventional bond sector.

Cautious at first because of Wall Street's easier trend overnight, equities soon climbed by 8 Footsie points, before reversing to show a fall of 5. Traders said there was little significant selling and buyers reappeared as the German money supply news was followed by favourable reports from the Humphrey Hawkins testimony to Congress by Mr Alan Greenspan, head of the Federal Reserve.

At the close, the FT-SE Index was just 2.3 ahead at 2,840. After plunging sharply on Tuesday when Wall Street fell ahead of President Clinton's speech, the UK market has steadied to show a net fall of only 3 points on the FT-SE scale since the previous Friday's close.

Retail, or customer, interest in equities, which has remained high all week, was worth £1.46bn on Thursday. Seaq volume of 533m shares yesterday, of which about 65 per cent was in non-Footsie stocks, compared with 637.1m in the previous session.

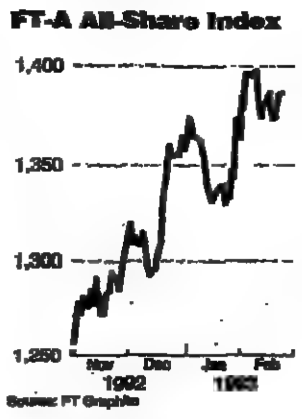
Activity in the second line issues was also reflected in the rise of 8 points in the FT-SE Mid 250 Index which closed last night at 3,048.3, within four points of its peak.

Speculative interest was reawakened in a number of takeover candidates but traders refused to become over-excited. "Today showed a solid performance by UK equities which have this week held on to the resistance area around the FT-SE 2,800," said one.

Account Dealing Dates			
*First Dealings:	Feb 1	Feb 15	Mar 1
Option Declarations:	Feb 11	Feb 25	Mar 11
Last Dealings:	Feb 12	Feb 26	Mar 12
Account Day:	Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

FT-A All-Share Index



Source: FT Graphite

Hotel deal expected

SPECULATION that an agreement will be announced early next week on the hotel tie-up between Queens Moat Houses and Bass sent shares in both group smartly forward yesterday. However, sources close to the negotiations, which have been continuing since the autumn, suggested that only a limited deal would be announced, squashing rumours that Bass was considering taking a stake in Queens Moat in return for the latter taking a leading role in running Bass's European Holiday Inn operations.

The indications are that only a handful of hotels will be involved in the deal, with Queens Moat taking the Holiday Inn franchise for these in return for a small percentage of each unit's turnover. But the hints of an agreement lifted sentiment in both stocks. Queens Moat, Britain's second biggest hotelier, put on 3½ to 54p in turnover of 5.9m. Bass jumped 19 to 604p in 2.7m traded.

Land Secs. active

Further evidence emerged yesterday of the growing liquidity in the moribund commercial property market as Land Securities said it was in negotiations to sell one of its office developments in a deal thought to be worth around £70m. The news added impetus to the group's shares which have strengthened in recent weeks on the back of falling interest rates and growing investor interest in the sector. After rallying, they later slipped back to close 1¼ up at 474p.

In the deal, Land Securities, the UK's biggest property group, would swap an office block in the City of London for the St David's shopping centre in Cardiff owned by Coal Board Investment Nominees. Details of any cash differential are being discussed.

Earlier this week, Hammerson announced a £21m office disposal, while the receivers of Mountleigh, the property company that failed last May, sold the group's largest UK asset, for £128m to Chelsfield. Hammerson shares rose a penny to 294p.

Alert at Lasmo

Bid speculation, a more positive outlook on the dividend, and a single large buyer of the shares helped make Lasmo a strong feature. The shares closed 7 up at 179p, as volume rose to a healthy 6.4m, with some of the buying said to have come from the US.

Suggestions that the company is a takeover target returned with British Gas and Enterprise Oil named as likely suitors. Several brokers have recently turned more positive on the dividend outlook ahead of the results due at the end of March and Smith New Court have recommended the stock.

However, analysts at Strauss Turnbull remain cautious and said that "the financial problems at the company are well recognised and the problem is unlikely to be resolved this year unless we see a dramatic rebound in oil prices which we think is unlikely."

British Gas fell 4 to 287½p, on turnover of 4.6m, while Enterprise eased 1¼ to 458p.

A badly-handled sale order and nervous trading ahead of Tuesday's figures hurt Sedgwick, the insurance broker, and the shares gave up 9 to 169p. In the life sector, United Friendly put on 20 to 600p after overnight trades were executed at the 600p level.

Among other oil related stocks, a squeeze in Ramco Oil sent the shares climbing 17 to 126p, while profit-taking was said to have been the reason for the fall in Pittencrieff which lost 14 to 360p, after a presentation to analysts on Thursday evening. Shell Transport eased a penny to 581p in nervous trading ahead of figures next Thursday.

Suggestions that Allied Lyons was about to sell its Chateau Latour business to French luxury goods group LVMH were strongly denied by its crossholding partner Guinness, but not before shares in London had been affected by the rumour. Allied gained 10 to 608p, while Guinness slipped 2½ to 468½p.

Shares in Kwik Save rose strongly, up 19 at 819p, as its largest shareholder Dairy Farms took its stake to past 28 per cent in the discount food group.

United Biscuits admitted it was considering selling Terry's chocolate business and the shares responded by adding 4 to 354p. Unilever lost 7 to 1146p on nerves ahead of figures next week.

Shares in British Aerospace were once again in favour ahead of the figures next week. The shares added 12 to 262p. Many analysts are predicting a big loss for the year and are expected to use Wednesday's results meeting to confirm or adjust forecasts for the current year which range between £120 and £160m.

The squeeze along with talk of an improvement in UK car sales figures boosted GKN and the shares added another 4 to 476p.

Fears of cutbacks in orders from US customers continued to weaken Smiths Industries and the shares lost another 5 to 342p.

A large buyer of GEC caused a squeeze and the shares advanced 7 to 297p. UBS Phillips and Drew was said to have upgraded the group. Racal Electronics jumped 10 to 199p. Credit Lyonnais Laing was said to be keen. Vodafone rose 3 to 395p following a big analysts' presentation on Thursday.

Some activity in Mirror Group saw the shares fall 3 to 106p as the group denied reports of a boardroom coup.

Analysts attributed the fall in Bowater's stocks to traders compensating for a previous overheating which had followed the company's earlier successful rights issue.

Blue Circle finished down 1p, in spite of an earlier sharp rise prompted by a combination of continued bid speculation and a yield of 6.5 per cent against a market dividend yield of 4.39 per cent.

BPB's strong performance – the company finished up 5 at 234p – was saidb by analysts to be the result of a successful series of marketing trips and a recent price increase in the company's main product, plaster board.

Spring Ram finished down another 8p at 123p on market rumours that bear raiders have targetted the company.

Hartstone, the hosiery and leather goods distributor, closed at 267p up 16p as volatile trade continued following the announcement that one of the company's executives was taking control of Cupid, the loss-making bridal and formal wear group.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Catherine Milton.

■ Other market statistics, Page 11.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (125).

BRITISH FUNDS (31) Tr. 10pc '01, Tr. 9¾pc '02, Tr. 10pc '03, Tr. 11½pc '01-04, Tr. 12½pc '03-05, Tr. 8pc '02-06, Tr. 8½pc '07, Do B, Tr. 13½pc '04-08, Tr 9pc '08, Tr 8pc '09, Cv. 9pc '11, Do C, Tr. 9pc '12, Tr. 6¾pc '08-12, Tr. 7¾pc '12-15, Ex. 12pc '13-17, Tr. 8¾pc '17, Consols 4pc, War Loan 3½pc, Tr. 2pc IL '06, OTHER FIXED INTEREST (3) African Dev. 11¼pc '10, Asian Dev. 10¼pc '09, Hydro Quebec, BANKS (3) Bk. Scot., Do 9¼pc Pf., Do 9¾pc Pf., BUILDING MATERIALS (6) Anglian, BPB, Kalon, Lilleshall, Sheffield Insns., Titon, BUSINESS SERVICES (3) Br. Data Mngemt., Inchcape, Sherwood, CHEMICALS (4) Allied Colloids, Hoechst, Laporte, Yule, CONTRACTING & CONSTRUCTION (1) Scot (H), ELECTRICALS (2) Critchley, Jones Stroud, Thorpe, ELECTRICITY (2) Natl. Power, PowerGen, ELECTRONICS (7) Ferranti, Hewlett-Packard, Koda, Macro 4, Racal, Sage, Tunstall, ENGINEERING GENERAL (6) Barry Wehmiller, Benson, Bristol Channel, Molins, Pressac, TT, FOOD MANUFACTURING (2) Acatos & Hutcheson, Clifford N/V, HOTELS & LEISURE (4) Granada, Do 7½pc Pf., Stanley, Vardon, INSURANCE LIFE (2) Refuge, Utd. Friendly, INVESTMENT TRUSTS (16) Abtrust New Dawn Wts., Dunedin Worldwide, Flmg. Inc. & Cap. Inc., Foreign & Col. Eurotrust, Jos Cap., Do Inc., Murray Intl., Do B, Murray Smllr. Mkts., River & Merc. Inc., Do Stppd. Pf., Second Market, Temple Bar, Templeton Emrg. Mkts., Do Wts., Tor Cap., MEDIA (3) Johnston Press, Metal Bulletin, Wassoughs, MERCHANT BANKS (4) Barings 9pc Pf., Close Bros., Kleinwort Benson, Schroders, Do N/V, Singer & Friedlander, METAL & METAL FORMING (1) Seville Gordon, MISCELLANEOUS (4) BAT 12¼pc '03-08, Danka, Faber Prest, LGW, MOTORS (4) Bletchley, Davenport Vernon, First Tech., GKN, OIL & GAS (1) Ramco, OTHER FINANCIAL (5) Bancaire, Daiwa, LIT, LOPS, Smith New Ct. Pf., OTHER INDUSTRIAL MATERIALS (1) Heath, PACKAGING, PAPER & PRINTING (3) API, Bowater, Jarvis Porter, PROPERTY (4) Land Sec. 10pc '25, Do 10pc '27, Do '30, Frogmore Ests., STORES (3) Courts, Fine Art Devs., TEXTILES (6) Allied Text., Br. Mohair, Castle Mill, Courtaulds, Haggas, Stirling, TRANSPORT (2) Forth Ports, Mersey Docks, WATER (4) Mid Kent, Severn Trent, Southern, Yorks., MINES (3) Antofagasta, Kidston, Resolute Res.

NEW LOWS (9).

BUILDING MATERIALS (1) Johnston, BUSINESS SERVICES (1) Welpac, HEALTH & HOUSEHOLD (1) Spectrum, HOTELS & LEISURE (1) Quadrant, INVESTMENT TRUSTS (1) Spanish Smllr Cos., MEDIA (1) Goodhead, MISCELLANEOUS (1) Hornby, PROPERTY (2) High-Point, Mickdgate.

EQUITY FUTURES AND OPTIONS TRADING

THE derivatives sector ended an active week with a volatile session in the futures as the March contract on the FT-SE reacted to profit taking and favourable economic data, writes Joel Kibazo.

March opened at 2,836 but soon moved ahead to 2,847 on sporadic buying. It however fell back as the expiry of the February index options approached at 10.30am.

A call for further cuts in UK base rates from a group of economists again sent the contract moving forward, and buying was boosted by data showing a fall in German money supply.

March maintained its upward momentum with the firm Wall Street opening before following New York lower.

March finished at 2,837, up 2 on its previous close and at a 4 point discount to the underlying cash market. Volume was 9,371 lots.

In the traded options, the expiry of the February index options was the main feature. Total volume was 23,662 lots of which 9,816 was dealt in the FT-SE 100 options.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

FINANCIAL TIMES EQUITY INDICES

	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Year ago	High	Low
Ordinary share	2200.7	2197.2	2175.6	2171.3	2187.8	1982.9	2226.1	1670.0
Ord. div yield	4.40	4.39	4.36	4.37	4.33	4.63	5.34	4.23
Earning yld % full	5.92	5.91	5.94	5.94	5.94	6.68	-	-
P/E ratio net	21.55	21.57	21.50	21.48	21.44	18.73	22.01	15.79
P/E ratio nil	19.79	19.81	19.73	19.71	19.79	17.65	-	-
Gold Mines	93.5	93.5	96.2	91.9	91.2	130.6	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26.6.40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35. Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2191.7	2196.8	2200.2	2193.3	2196.7	2197.3	2199.9	2198.6	2198.5	2203.5	2191.7

Volume	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Year ago
SEAQ Bargains	28,899	29,426	27,668	30,227	31,097	36,143
Equity Turnover(£m)†	-	1460.4	1203.5	1231.3	864.0	1108.9
Equity Bargains†	-	33,506	30,653	33,594	46,752	30,617
Shares traded (ml)†	-	576.0	559.5	549.5	472.8	462.7

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday February 19 1993

Merchant Banks	+	17.12	Electricity	+	3.66
Engineering-Aerospace	+	14.82	Oil & Gas	+	3.36
FT-SE SmallCap ex Inv Tsts	+	12.14	Hotels and Leisure	+	3.28
Metals & Metal Forming	+	12.05	Chemicals	+	3.23
FT-SE SmallCap	+	11.69	Food Manufacturing	+	2.98
Contracting, Construction	+	11.45	Other Groups	+	2.66
Property	+	10.93	Electricals	+	2.38
Building Materials	+	10.31	FT-A All Share	+	1.74
Banks	+	8.52	FT-SE A 350	+	1.15
Financial Group	+	8.11	Insurance Brokers	+	0.59
Electronics	+	7.80	Other Industrials	+	0.54
Engineering-General	+	7.75	"500" Share Index	+	0.52
Motors	+	7.66	Media	+	0.44
Investment Trusts	+	7.48	Industrial Group	+	0.20
Insurance (Life)	+	7.48	Insurance (Composite)	-	0.16
Business Services	+	7.30	Telephone Networks	-	0.20
Packaging and Paper	+	6.88	FT-SE 100 Index	-	0.22
FT-SE Mid 250	+	6.48	Food Retailing	-	2.06
Capital Goods	+	6.34	Stores	-	3.31
Conglomerates	+	5.64	Consumer Group	-	3.60
Transport	+	4.81	Brewers and Distillers	-	5.50
Water	+	4.49	Health & Household	-	11.11
Textiles	+	4.33			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	110.9773	+0.975	8.32	8.56	8.72
BELGIUM		9.000	03/03	107.0100	-	7.87	7.87	7.67
CANADA *		7.250	06/03	96.0000	-0.150	7.83	7.73	7.81
DENMARK		8.000	05/03	95.5500	+0.350	8.67	8.75	8.44
FRANCE	BTAN	8.500	03/97	102.8254	+0.377	7.71	7.87	7.83
	OAT	8.500	11/02	105.7750	+0.440	7.63	7.83	7.81
GERMANY		8.000	07/02	107.4700	+0.250	6.89	7.03	7.13
ITALY		12.000	05/02	96.5700	+0.545	13.03†	13.06	13.37
JAPAN	No 119	4.800	06/99	104.4093	+0.126	3.93	4.02	4.24
	No 145	5.500	03/02	109.4057	+0.391	4.08	4.22	4.38
NETHERLANDS		8.250	06/02	109.8900	+0.500	6.78	6.92	7.12
SPAIN		10.300	06/02	93.7000	+0.975	11.41	11.45	11.69
UK GILTS		7.250	03/98	102-11	+8/32	6.68	6.70	7.14
		9.750	08/02	112-12	+8/32	7.88	7.92	8.39
		9.000	10/08	105-26	+9/32	8.30	8.41	8.83
US TREASURY *		6.250	02/03	100-17	+3/32	6.18	6.39	6.56
		7.125	02/23	101-08	+6/32	7.02	6.77	7.29
ECU (French Govt)		8.500	03/02	103.9000	+0.625	7.89	8.13	8.23

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	99	5	13	181	132	70
Other Fixed Interest	3	2	10	27	9	39
Commercial, Industrial	312	212	893	1,616	1,220	4,257
Financial & Property	129	141	525	838	765	2,376
Oil & Gas	16	21	47	89	103	228
Plantations	0	0	8	4	0	36
Mines	32	37	70	139	146	410
Others	29	59	28	139	213	235
Totals	580	477	1,594	3,033	2,588	7,651

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE Mid 250	FT-A ALL-SHARE
2840.0 +2.3	3048.3 +8.0	1387.47 +1.88

	Feb 19	Day's change	Feb 18	Feb 17	Feb 16	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2840.0	+0.1	2837.7	2814.0	2812.2	2543.3	6.48	4.25	19.82	5.84	2873.8 3/2/93	2281.0 25/8/92	2873.8 3/2/93	986.9 23/7/84
FT-SE Mid 250	3048.3	+0.3	3040.3	3017.4	3009.5	2483.8	6.79	4.25	18.63	7.00	3051.4 8/2/93	2157.8 16/9/92	3051.4 8/2/93	1378.4 21/1/86
FT-SE-A 350	1404.6	+0.1	1402.9	1391.5	1390.0	1233.9	6.55	4.25	19.54	2.96	1416.5 8/2/93	1103.1 25/8/92	1416.5 8/2/93	664.5 14/1/86
FT-SE SmallCap	1525.97	+0.3	1521.62	1514.43	1517.67	-	5.42	4.26	25.73	4.10	1528.82 8/2/93	1363.79 31/12/92	1528.82 8/2/93	1363.79 31/12/92
FT-SE SmallCap ex Inv Trusts	1529.40	+0.3	1524.29	1517.98	1519.67	-	6.04	4.47	23.67	3.88	1532.36 8/2/93	1363.79 31/12/92	1532.36 8/2/93	1363.79 31/12/92
FT-A ALL-SHARE	1387.47	+0.1	1385.59	1374.50	1373.41	1218.36	6.48	4.25	19.83	2.97	1398.63 8/2/93	1066.13 25/8/92	1398.63 8/2/93	61.92 13/12/74
1 CAPITAL GOODS(211)	931.39	+0.6	926.07	919.48	919.90	791.64	8.07	4.62	21.58	1.51	940.76 4/2/93	664.23 9/9/92	1036.07 16/7/87	50.71 13/12/74
2 Building Materials(27)	980.67	+0.4	976.55	963.24	960.11	972.08	6.20	5.60	27.30	0.77	1121.52 11/5/92	617.65 9/9/92	1381.06 16/7/87	44.27 11/12/74
3 Contracting, Construction(29)	823.94	+0.3	821.21	808.11	809.82	862.50	3.03	5.60	80.00†	1.23	1069.64 11/5/92	485.72 9/9/92	1951.50 16/7/87	71.48 2/12/74
4 Electricals(14)	2620.14	-0.1	2622.77	2629.02	2635.58	2457.26	6.14	5.56	21.38	3.25	2774.66 4/2/93	1874.99 20/10/92	3040.80 8/9/89	84.71 25/6/62
5 Electronics(35)	2537.84	+1.6	2498.54	2483.05	2480.39	1800.39	6.29	3.37	20.32	14.53	2537.84 19/2/93	1655.93 13/1/92	2537.84 19/2/93	1229.01 8/10/85
6 Engineering-Aerospace(7)	339.94	+0.3	338.85	337.67	346.05	329.24	10.40	6.90	12.24	0.00	406.10 20/5/92	243.47 24/11/92	502.42 13/6/90	243.47 24/11/92
7 Engineering-General(52)	553.29	+0.5	550.34	546.34	544.88	489.27	7.31	4.30	17.50	1.05	567.62 20/5/92	409.31 9/9/92	567.62 20/5/92	339.57 28/1/91
8 Metals & Metal Forming(11)	361.86	+0.5	360.00	357.41	356.68	327.58	4.82	5.65	30.16	0.29	379.31 18/5/92	255.51 8/9/92	556.67 9/10/87	49.65 6/1/75
9 Motors(18)	405.59	+0.2	404.85	400.26	398.94	314.23	4.89	5.78	30.14	0.00	408.60 3/2/93	274.42 1/9/92	411.42 13/10/87	19.91 6/1/75
10 Other Industrials(19)	2010.50	+0.4	2002.97	1997.26	1999.22	1599.69	6.16	4.22	19.63	0.39	2049.76 3/2/93	1480.17 9/9/92	2049.76 3/2/93	277.56 15/1/81
21 CONSUMER GROUP(232)	1897.19	—	1898.44	1879.99	1879.37	1872.42	6.95	3.51	17.89	3.39	1773.10 4/1/93	1446.17 25/8/92	1773.10 4/1/93	61.41 13/12/74
22 Brewers and Distillers(28)	1984.52	+0.7	1970.73	1956.30	1941.58	2095.84	8.49	3.82	14.36	10.18	2278.85 11/5/92	1812.14 5/10/92	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing(22)	1369.21	+0.2	1366.32	1357.53	1356.22	1273.84	7.71	3.81	16.16	1.54	1378.18 4/2/93	1084.95 10/9/92	1378.18 4/2/93	59.67 11/12/74
26 Food Retailing(18)	3192.57	+0.8	3165.71	3146.77	3152.62	2568.54	7.97	3.29	16.32	2.40	3427.94 28/1/93	2293.80 10/1/92	3427.94 28/1/93	54.25 11/12/74

CONTRACTS & TENDERS

BRAZILIAN TRAINING SHIP
NE "BRASIL" PUBLIC TENDER NR. 001/93

Notice is hereby given that the NE "BRASIL" – AMRJ with offices at: Ilha das Cobras, S/Nº – Rio de Janeiro, Brazil, CEP 20091-000, is accepting tenders to choose a supplier for **DRY AND FROZEN FOODS TO THE BRAZILIAN TRAINING SHIP DURING THE TRAINING CRUISE – 1993.**

TENDERERS MUST HAVE A LEGAL REPRESENTATIVE IN BRAZIL. The latest date for submissions of qualifying documents and quotations is 15th March 1993 and the details of this Public Tender are available, at request, at the above address. For further information you may require, please contact:

NE "BRASIL" – AMRJ
Fax: 010 55 21 253 6027/216 6668
Tel: 253 6027/216 6650

COMMISSION OF TENDER

LEGAL NOTICES

In The High Court of Justice No. 00873 of 1993
Chancery Division

IN THE MATTER OF
MORETIME LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 1st February 1993 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £40,000,000 to £2,750. AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before Mr. Registrar Buckley at the Royal Courts of Justice, Strand, London WC2 2LL on Wednesday the 3rd day of March 1993. ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.
DATED the 16th day of February 1993
Slaughter and May, 35 Basinghall Street, London EC2V 5DB
Solicitors for the said Company

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 873 4378.

AUTHORISED UNIT TRUSTS

Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Mngrs Ltd (1600)F

Abtrust Unit Trust Managers Ltd (1200)H

Acorn Unit Trust Managers Ltd (1100)F

Acumen Fund Managers Ltd (1400)F

AEGON Unit Trusts Ltd (1400)F

Allchurches Inv Mgmt Servs Ltd (1200)F

Allied Dunbar Unit Tsts PLC (1600)F

Arkwright Management (1400)F

B & C E Unit Trust Mngmt Ltd (1000)H

BZW-Thornhill Unit Trust Mgrs Ltd (1200)F

Baillie Gifford & Co Ltd (1400)H

Bank of Ireland Fund Mgrs Ltd (1900)F

Barclays Unicorn Ltd (1000)H

Baring Fund Managers Ltd (1200)H

Blackstone Franks UT Mngrs Ltd (0700)F

Brewin Dolphin Unit Tst Mgrs Ltd (0900)F

Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd, Haywards Hth

Brycourt Unit Tst Mgmt Ltd (1600)F

Buckmaster Management Co Ltd (0930)H

Burrage Unit Tst Managmt Ltd (0900)F

CIS Unit Managers Ltd (1000)F

Canada Life Unit Tst Mngrs Ltd (1000)F

Capel-Cure Myers UT Mngt Ltd (1200)F

Capital House Unit Tst Mgrs Ltd (1200)F

Central Fund Managers (1400)F

Chartered Asset Mngmt Ltd (1700)F

City Financial Unit Trust Mngrs Ltd (1100)F

City of London Unit Tst Mgrs Ltd (1100)F

Colonial Mutual Unit Tst Mgrs Ltd (1200)H

Commercial Union Tst Mgrs (1200)F

Confederation Funds Mgmt Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F
1 White Hart Yd, London Bridge SE1 1NX

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Dimensional Tst Mngmt Ltd (0900)F

Discretionary Unit Fund Mngrs (1200)F

Dunedin Unit Tst Mgrs Ltd (1200)H

Eagle Star Unit Mngrs Ltd (1000)F

Edinburgh Unit Tst Mngrs Ltd (1400)H

Elcon Ltd (1000)F

Endurance Fund Management Ltd (0900)F

Equitable Unit Trust Managers Ltd (1200)F

Exeter Fund Managers Ltd (1400)F

Fidelity Investment Servs Ltd (1200)F

Foreign & Colonial Unit Mgmt Ltd (1200)F

Framlington Unit Mngt Ltd (1200)F

Friends Provident Unit Trusts (1000)F

GA Unit Trust Mngrs Ltd (1000)H

GT Unit Managers Ltd (1200)H

Gartmore Fund Managers (1200)F
Gartmore House, 16-18 Monument Street, London EC3R 8AJ

Govett (John) Unit Mgmt Ltd (1000)F

Granville Unit Tst Mngmt Ltd (0400)F

Guardian Royal Ex Unit Mgrs Ltd (1000)F

Guinness Flight Unit Tst Mgrs Ltd (1400)F

Halifax Standard Tst Mngmt Ltd (0730)F

Henderson Touche Remnant

Hill Samuel Unit Tst Mgrs Ltd (1200)F

INVESCO MIM UT Mngs Ltd (1200)F

INVESCO MIM UT Mngs Ltd - Contd.

Kleinwort Benson Unit Trusts (1000)F

LAS Unit Tst Mgrs Ltd (1000)H

L & C Unit Tst Mngmt Ltd (0900)F

Lazard Unit Tst Mngrs Ltd (1000)F

Laurentian Unit Tst Mngmt Ltd (1200)H

Legal & General (U.T. Mgrs) Ltd (1200)F

Lloyds Bk Unit Tst Mngrs Ltd (1400)F

London & Manchester Tst Mgmt (1000)H

M & G Securities

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing

MW Investment Managers Ltd (0600)F

Maiden Unit Trust Managers Ltd (1400)F

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough Fund Managers Ltd (1430)F

Martin Currie Unit Trusts Ltd (0905)H

Mercury Fund Managers Ltd (1000)H

Merrill Lynch

Metropolitan Unit Trust Mngrs Ltd (1000)F

Midland Unit Trusts Ltd (1200)F

Millennium Fund Management Ltd (1000)H

Morgan Grenfell Invest Fds Ltd (1000)H

Murray Johnstone UT Mgmt (1200)H

NFU Mutual Unit Mgrs Ltd (1400)F

NM Unit Trust Mgrs (1200)F

NM Unit Trust Mngrs - Contd.

N&P Unit Trust Management Ltd (1200)F

National Provident Inv Mgrs Ltd (1400)H

National Westminster UT Mngrs (1200)F

Norwich Union Trust Managers (1200)H

Old Mutual

Pearl Unit Trusts Ltd (1000)F

Perpetual Unit Trust Mngmt (1200)F

Phillips & Drew Unit Managers Ltd (1400)F

Pilgrim Unit Trust Mngmt Ltd (0830)F

Portfolio Fund Mngrs Ltd (0900)F

Premium Life Unit Tst Mngrs Ltd (1400)F

Principal Unit Trust Mngmt Ltd (1600)F

Prolific Unit Tst Mgrs Ltd (1100)F

Property Unit Trust Mngrs Ltd (1200)F

Provident Mutual Unit Tst Mgrs Ltd (0905)H

Prudential Unit Trusts Ltd (1200)F

Reliance Unit Mgrs Ltd (1000)H
Reliance House, Tunbridge Wells, Kent

Rock Asset Mgmt (Unit Trust) Ltd (0900)F

Rothschild Fund Management (1000)F

Royal Life Fd Mgmt Ltd (1600)H

Royal London Unit Tst Mgrs Ltd (1200)F

St James's Place UT Group Ltd (1200)F

Save & Prosper Group (0900)H

Schroder Unit Trusts Ltd (1200)F

Scottish Amicable Ut Tst Mgrs Ltd (0730)H

Scottish Equitable Fd Mgrs Ltd (1000)H

Scottish Life Investments (1200)F

Scottish Mutual Inv Mngrs Ltd (1000)H

Scottish Provident Inv Mgt Ltd (1000)F

Scottish Widows' Fund Mngmt (0800)H

Sentry Fund Mgt Ltd (1200)F

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. [illegible]

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton Brentwood Essex
Enquiries 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European	5	108 40	109 10	114 80	-0 50	1 40
Intl Bond & Conv	5	125 00	125 40	132 00	+0 40	5.47
Pooled Pension ‡	7	150 5	154 5	165 3		-
Smaller Cos	5	60 90	62 79	66 09	+0 30	1 90
UK General	5	115 20	116 90	123 10	+0 30	2.78

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

Income	5	384 13	384 13	408 65	+0 48	5 06
Global Inc	5	57 84	57 84	61 53	-0 06	3 96
Brit Leaders	5	313.58	313 58	333.6	-0 06	3 07
Intl Leaders	5	184 11	184 11	195 86	-1 40	1 68
Fdn Bal Bd Gwth Inc	3½	53 04	54 35	56 47	+0.35	3 01

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham BR3 4TF 081-663 3003

EuroAsia Trust	6	52.74	52 83	56 21	-0 07	1 38
Far Eastern Tst	6	56.51	57 24	60 89	-0 02	0 82
Smaller Cos	5	140 9	145 5xd	154.7	+0 6	2.14

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St London W1A 3AS 071-637 5377

S & W American ‡	5	271 9	272.5	288.3	+4.2	0 94
S & W Capital	5	114.7	114 7xd	122 9	+0 80	2 10
S & W Cash ‡	0	102 44	102.44	102.44	+0 01	6 05
S & W European	5	115 7	115 7	122 4	+0 60	0.90
S & W Far Eastern	5	120 6	121 8	128 8	+1 10	0 14
S & W Growth	5	123 1	124 6xd	131.8	+1 30	1 76
S & W Income	5	109 3	110.3	116.7	+0 70	5 13
S & W Magnum	5	122 2	122 2	130 8	+0.90	2 11
S & W Smllr Secs	5	298 8	304.9	322 6	+1 60	0.54
S & W Thoroughbred	5	140 8	140 8xd	151.0	+1 70	1 92

Societe Generale Tonche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029

American Gwth	5¼	80 41	80 41	86 00	-1 64	0
Eur Sp Sits Acc	5¼	46 02	46.02	47 84	-0 43	0
Eur Sp Sits Inc	5¼	42.52	42.52	45 18	-0 41	0

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2¼	92.91	92.91	95 07	-0 53	6 00
Short Dtd Gilt	1¼	109.4	109 4	110 8		4 47
U S Govmt Bond	1¼	0.7112	0 7112	0 7206	+0 0009	0.00
Gilt Income	4	52 35	52.35	54 47	+0 02	8.00
Gilt Growth	4	65 21	65 21	67 87	+0.01	0 00
City Reserve	0	52.19	52.19	52.19	+0.02	6.29

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388044

Stockmarket Fd F	5	65 16	65 33	69 09	+0 21	2.22

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Expt Feb 19	671.2	692 71	-1.5	1.00

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

UK Growth & Income	80.64	84.73	+0.10	3.9
Income Plus	50 07	51.10	+0 42	7.6

James Capel Fund Managers Ltd

European Exempt	110 814	112.088	-0.543	2.90
Japanese Exempt	111 099	113 457	-1 67	-
Managed Exempt	127 430	134 928	-0 75	3 06
North American Exempt	101 39	103 30	-2.306	1.16
Pacific Exempt	110 580	112 937	-2.315	3.00

Cent. Bd. of Fin. of Church of England

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	672.9	715.9	-0.3	-
Adventurous Mngd	166.0	176.7	-0.8	-
Cautious Mngd	128.9	137.2	....	-
Cash Fd	317.9	335.0	+0.2	-
Property Fund	216.7	230.6	...	-
Equity Fund	778.6	828.3	-3.7	-
Fxd Int. Fund	416.9	439.4	+0.4	-
International	346.9	369.1	-3.9	-
High Income	599.6	637.3	-1.7	-
Far East	465.3	495.0	-5.9	-
North American	461.2	490.7	-4.6	-
Special Sits	554.8	590.3	+1.5	-
Technology	453.5	482.5	-2.4	-
Extra Inc Fd	327.6	348.6	+0.7	-
Convertible & Gilt Fd	159.9	170.2	+0.3	-
American Income	188.0	200.0	-1.6	-
Gilt Fund 20	448.0	476.6	+0.3	-
European Fund	126.0	134.1	-0.8	-
Pref & Fixed Int.	115.5	122.9	+0.1	-
UK Blue Chip	118.4	124.8	....	-
Recovery Fund	117.0	123.3	+0.3	-
Equity Income Dis.	109.1	116.1	-0.1	4.98
Managed Dist.	103.4	110.0	-0.1	5.60
High Yield Dist.	106.0	111.8	+0.2	8.30
Pension Funds				
Balncd Gth Mgd Pens Acc.	795.7	837.6	-1.4	-
Adventurous Mgd Pens Acc.	176.1	185.4	-1.2	-
Cautious Mngd Pens Acc.	149.7	157.6	+0.1	-
Building Soc. Acc.	366.8	386.2	+0.3	-
Property Pens. Acc.	295.4	311.0	.	-
Fix. Int. Pens. Acc.	658.8	693.5	+0.2	-
Equity Pens. Acc.	1022.5	1076.4	-8.4	-
International Pens Acc.	324.7	341.8	-3.4	-
High Inc Pens Acc.	679.8	725.6	+2.8	-
Tech Pens Acc.	319.0	335.8	-2.6	-
N American Pens Acc	354.6	373.3	-4.2	-
Far Eastern Pens Acc.	474.5	499.5	-7.9	-
Special Sits Pens Acc.	458.3	482.5	+0.8	-
Extra Income Pens Fd	403.6	424.9	+0.3	-
Convertible & Gilt Pen.	195.4	205.7	+0.5	-
American Inc Pens	219.4	231.0	-3.0	-
European Pens	140.9	148.4	-1.2	-
Managed Cash Pens	172.8	181.9	+0.1	-
Pref & Fixed Pens.	134.4	141.5	+0.1	-
UK Blue Chip	126.1	132.6	+0.1	-
Recovery Fund	126.0	132.7	+0.3	-
Balncd With Profits Pen.	109.1	114.9	+0.1	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Paragon Plus Red Feb 1	£9.85			-
Paragon Stlg Red Feb 1	£11.33			-
SE Asian Wt NAV Feb 18	$10.12			-
Govett Mgd Fore Feb 19	£13.65	14.93		-
Govett Mgd Fore Feb 19	$9.63	10.53		-
Dlr Govett Sa Feb 12	57.56			-
IBI Global Funds Limited				
Intl Stlg Gwth	£21.50	22.64		-
Intl $US Gwth	$18.04	19.00		-
High Income Gilt	£27.50	28.60		-
International Equity	£22.36	23.55		-
International Bond	£24.39	25.28		-
Managed Currency	£28.09	28.39		-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds World Int Port	£2.621	2.7531		1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge	£10.10	10.151		9.26
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 18	$13.82	14.117		2.83
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income	55.6	58.0		7.30
UK Equity Fd	227.4	242.0	+0.02	2.64
Intl Bond Fd	101.8	105.0		6.51
Sterling Mngd Asset Fd	554.5	584.0		4.57
*Sub. day every Thurs.				

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Convertibles & Income Fd (Cayman)				
NAV Feb 4		$11.12		-
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Feb 18		$5.81		-
Julius Baer Bank & Trust Co Ltd				
Bque Fr Serv & Cr/Europ Inv Mgt Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management-Contd.				
GAM Value		$113.47		-
GAM Worldwide		$373.62		-
GSAM Composite		$282.94		-
GAM Bond $ Ord		$139.64		-
GAM Bond Yen		Y13894		-
GAM Bond DM		DM110.70		-
GAM Bond £		£146.23		-
GAM Stlg Special Bond		£121.81		-
Swiss Registered Funds				

	Bid Price	Offer Price	+ or -	Yield Gross
Orbitex Bahamas Ltd				
ORIENT Growth Fd				
NAV		$9.68	-0.06	-
PFC Internatl Portfolio Fd Mngt Ltd				
Specialty Growth Fd		$2.72		-
Balanced Growth Fd		$2.38		-
PFC-LCC & B		$12.77		-
PFC Dynamic Mgd P'folio		$10.60	-0.09	-

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

JAPAN

INDICES

NEW YORK

DOW JONES	Feb 18	Feb 17	Feb 16	Feb 12	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3302.19	3312.19	3309.49	3392.43	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.58	105.66	105.63	105.98	105.98 (12/2/93)	98.41 (20/3/92)	105.98 (12/2/93)	54.99 (1/10/81)
Transport	1495.67	1498.55	1515.46	1578.94	1589.61 (8/2/93)	1204.40 (25/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	231.47	232.73	230.86	232.16	234.18 (4/2/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3382.98 (3338.12) Low 3282.48 (3273.56) (Theoretical‡)
Day's High 3348.39 (3317.59) Low 3287.07 (3290.31) (Actual‡)

STANDARD AND POOR'S

	Feb 18	Feb 17	Feb 16	Feb 12	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	431.90	433.30	433.91	444.58	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/32)
Industrials	497.53	499.21	500.06	513.10	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	41.38	41.81	41.80	43.09	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	236.08	236.74	236.48	248.30	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (25/4/42)
Amex Mkt. Value	402.38	401.36	406.81	415.47	418.99 (12/2/93)	384.85 (9/10/92)	418.99 (12/2/93)	29.31 (9/12/72)
NASDAQ Composite	662.45	669.43	666.39	690.54	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Feb 12	Feb 5	Jan 29	year ago (approx.)
Dow Industrial Div. Yield	3.00	3.01	3.13	2.82
	Feb 17	Feb 10	Feb 3	year ago (approx.)
S & P Industrial div. yield	2.55	2.47	2.48	2.80
S & P Indl. P/E ratio	26.51	27.38	27.44	25.03

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
RJR Nabisco	5,421,400	8½	---
Student Loan	4,691,800	47¼	- 6⅞
Merck	4,221,100	37⅞	+ ⅛
Chrysler	3,841,900	37⅞	+ ⅝
Glaxo	3,628,600	19⅜	- ⅜
Philip Morris	3,247,500	70¼	+ ⅜
Citicorp	3,237,300	24⅝	+ ¼
Bristol Myers	3,013,500	56	+ ⅝
Gen Motors	2,916,700	38½	- 1⅛
Telefonos	2,636,300	48⅞	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 18	Feb 17	Feb 16
New York SE	309.420	287.180	330.092
Amex	18.736	15.580	19.355
NASDAQ	(d)	275.522	303.722
NYSE			
Issues Traded	2,458	2,455	2,461
Rises	1,025	768	379
Falls	867	1,152	1,707
Unchanged	564	535	375
New Highs	76	34	45
New Lows	61	46	49

CANADA

TORONTO	Feb 18	Feb 17	Feb 16	Feb 15	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2898.78	2908.95	2889.89	2927.29	3238.87 (18/1/92)	2628.91 (17/11/92)
Composite	3409.42	3417.70	3410.50	3442.19	3586.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1769.45	1775.33	1772.84	1783.91	1837.59 (16/1/92)	1693.18 (14/10/92)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ‡ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Feb 19	Feb 18	Feb 17	Feb 16	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1594.7	1607.3	1601.3	1612.1	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	625.3	628.1	630.6	627.0	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	342.00	340.72	337.68	340.50	456.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	816.02	815.63	807.36	815.16	1099.43 (24/2/92)	692.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1212.94	1209.11	1202.66	1207.57	1236.40 (2/6/92)	1098.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	282.88	282.14	281.37	284.45	395.29 (15/1/92)	256.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	826.0	814.4	811.0	830.2	835.90 (24/2/92)	541.09 (7/9/92)
FRANCE						
CAC General (31/12/81)	508.86	505.71	497.03	501.23	555.83 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1937.17	1926.62	1904.97	1878.17	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	657.70	654.57	651.06	654.13	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1861.40	1853.20	1842.60	1852.20	2043.80 (25/5/92)	1594.80 (12/10/92)
DAX (30/12/87)	1677.39	1672.26	1653.28	1664.22	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	6170.09	6186.94	6087.46	6065.62	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1278.40	1271.42	1258.41	1277.88	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Comm. Ital. (1972)	503.59	506.49	499.53	500.27	551.59 (8/2/93)	354.93 (16/9/92)
MIB General (4/1/93)	1113.0	1118.0	1100.0	1105.0	1125.00 (8/2/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17010.03	16982.14	17009.63	16916.32	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1294.08	1293.12	1293.27	1292.33	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1699.14	1701.65	1694.71	1695.96	2459.65 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	629.43	623.11	625.81	635.01	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	311.1	309.6	305.2	306.5	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	208.4	208.4	205.1	208.3	215.90 (26/5/92)	189.70 (26/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	713.32	709.10	707.67	717.85	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1479.24	1458.26	1409.11	1413.08	1590.86 (11/8/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	414.10	412.87	410.15	413.16	416.69 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1027.0¶	1009.0	1050.0	1006.0	1327.00 (21/1/92)	748.00 (10/11/92)
JSE Industrial (28/9/78)	4541.0¶	4530.0	4526.0	4584.0	4689.00 (4/6/92)	3936.00 (15/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	654.52	653.91	665.12	672.22	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	232.29	233.51	232.50	233.45	298.51 (28/5/92)	178.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	982.50	984.90	974.00	984.80	1014.50 (11/5/92)	630.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	933.6	941.9	936.2	942.6	947.50 (15/2/93)	746.50 (8/1/92)
SBC General (1/4/87)	716.0	718.7	714.3	718.7	722.60 (15/2/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3912.67	3961.50	4001.16	3874.73	5391.63 (30/1/92)	3098.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	962.80	951.43	973.34	986.65	998.44 (25/1/93)	687.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	503.0*	500.5	500.9	500.4	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	922.29	919.80	911.05	913.43	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday February 13: Taiwan Weighted Price: 3,863.45, Korea Comp Ex. 677.33
¶ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Undercurrents threaten equity calm

Wall Street

A difficult week ended with US markets in a calm, if still slightly nervous, mood, and share prices little changed across the board, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 5.68 at 3,296.51. The more broadly based Standard & Poor's 500 was up 0.87 at 432.77, while the Amex composite was down 1.08 at 401.20, and the Nasdaq composite up 0.04 at 662.49. Trading volume on the NYSE was 155m shares by 1 pm, and rises outnumbered declines by 1,110 to 664.

After the tribulations of Tuesday and Thursday, when share prices gyrated wildly and posted big losses following President Bill Clinton's first budget plan, share prices spent most of the morning session trading narrowly on either side of opening values.

Underneath the calm surface, however, there were various undercurrents, most of them created by trading related to the monthly expiration of stock-index options, which were still threatening to create considerable volatility in the afternoon session.

Some investors and analysts drew comfort from the market's ability to hold its own late on Thursday (when the Dow bounced back from a 44-point deficit to end just 10 points lower), and again yesterday, in the wake of the heavy selling earlier in the week.

SAO PAULO rose another 7.8 per cent in heavy trading by 14.00 Brazilian time, the Bovespa index climbing 983 to 13,310, boosted by falling interest rates and bullish sentiment ahead of next week's four-day Carnival holiday.

Among individual sectors, bank stocks roared ahead, buoyed by low interest rates, and comments from Mr Alan Greenspan, chairman of the Federal Reserve, who told Congress that, as the economic situation improved, banks and thrift companies were ready to meet increased loan demand.

Citicorp rose $1¼ to $25⅝, BankAmerica added $1⅜ at $51⅝, Chemical firmed $1 at $40⅜, Banc One rose $1⅛ to $51⅜, Wells Fargo jumped $2⅜ to $92⅞, and Chase Manhattan climbed $⅝ to $30¼.

Drug stocks, however, once again tumbled, still troubled by fears that, as part of healthcare reforms, the president will impose restrictions on pharmaceuticals prices.

Pfizer led the way lower, dropping $3¼ to $55⅞ in volume of 1.8m shares, followed by Merck, which fell $1 to $36⅝ in volume of 1.3m shares, Schering-Plough, down $1⅜ at $55, and Bristol-Myers Squibb, $1⅛ weaker at $54⅞.

Oil company stocks were firmer as investors reassessed the implications on their earnings from a new energy tax. Exxon rose $1¼ to $63, Texaco climbed $1⅛ to $61⅞, Chevron put on $1⅛ at $76⅝ and British Petroleum added $1¼ at $47⅞.

Canada

TORONTO edged higher in light dealings, lifted by optimism over fourth quarter earnings and renewed strength in cyclicals .

The TSE-300 Index rose 5.0 to 3,414.42 in thin volume of 17.6m shares valued at C$180m. Advances led declines by 230 to 181 with 252 issues unchanged.

Gainers included TransCanada Pipelines, up C$⅛ at C$16⅞, on expectations that a proposed US energy tax might help natural gas producers.

The real estate and construction sector also performed well on strength in Trizec Corp, whose class A shares rose C$0.14 or 5.7 per cent to C$2.59.

Milan ignores politics in Fiat-led euphoria

Haig Simonian on this week's rally in equities

Sentiment, rather than fundamentals, has been driving Milan forward this week. In spite of growing political uncertainties, reinforced by yesterday's resignation of two cabinet ministers, a gloomy economic outlook and distinctly poor corporate earnings, the buying bandwagon has been enough to push the Comit index up 2.3 per cent on the week.

The motor for this rally has been Fiat, Italy's biggest private-sector company, which on two separate days this week rose by some 10 per cent, closing yesterday at L5,360. The massive buying of its shares has been enough to trigger a general re-appraisal of Italian blue chips.

There are legitimate grounds for greater optimism about Fiat. Ms Dagmar Bottenbruch of CSFB in Milan has recommended the stock as a "buy" after lengthy scepticism. Among the reasons she identifies as advantageous for the group are the lira's departure from the ERM and last summer's agreement to abolish the "scala mobile" wage indexation system.

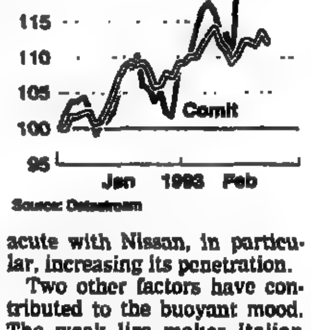
While the cheaper lira and lower wage growth will help the company improve its margins, a wave of new models will refresh its ageing line-up; and expectations of sales of subsidiaries such as Rinascente, Toro or Cogefar-Impresit will also provide big extraordinary gains to help tide the group over its current heavy investment phase.

Such prospects, echoed by some other analysts, have been enough to trigger a general reconsideration of Fiat's shares, especially by foreigners, who have pared Italian holdings to the bone. Early buying turned into a wave this week as rumours of imminent asset sales or a tie-up with another car group swept the market.

The realities are appreciably different: the company has repeatedly denied that it is talking to either Peugeot or Toyota – the two most-tipped names – and, indeed, the French and Japanese companies have issued denials of their own. Fiat has also maintained that negotiations on asset sales are not under way, although admitting that it has had some approaches.

Even the industrial outlook hardly warrants this week's euphoria. Recession in other European car markets has now reached Italy, where demand fell by almost 14 per cent in January. Competition from foreign manufacturers, especially the Japanese, also remains acute with Nissan, in particular, increasing its penetration.

Index and share price rebased



Source: Datastream

Two other factors have contributed to the buoyant mood. The weak lira makes Italian shares look cheap for foreign investors and domestic institutions have been coming back into the market as a result of interest rate cuts. A statement by Mr Piero Barucci, the treasury minister, that promised incentives to buy shares would be pushed into law more quickly than expected provided an additional tonic.

"The market has decided to interpret all the news positively," says Mr Marcello Sallusti, an analyst at Gemina. "And bad news has been largely ignored. So shares have been moved by speculation and the fact that many portfolios have been very underweight in Italian equities."

The buying, however, has been somewhat unselective. While purchases, especially from abroad, have focused on blue chips, prime companies such as Benetton, Parmalat, Italgas or Edison, seen as among the biggest beneficiaries of the lira's decline, have not risen as strongly as many others.

Many analysts struggle to justify buying big corporates such as Olivetti or Montedison, given the poor outlook for both; and the heavy buying of utilities such as Stet and Sip seems to be based as much on liquidity in the shares – making it easy to sell quickly if necessary – as on more fundamental factors.

For those still interested in fundamentals, there is little to commend the bourse at present. "The market has gone beyond fundamental values," says Ms Paola Bergamaschi of Goldman Sachs. "It's a real trading market in the short term. You either buy and then sell quickly, or hold the stock long-term in expectation of a better political and economic climate."

The risks are high. Politically, the coalition government of Mr Giuliano Amato is looking increasingly fragile, more so after yesterday's resignations of Mr Giovanni Goria, the finance minister, and Mr Francesco De Lorenzo, the health minister. The resulting uncertainty has had the effect of depressing the lira exchange rate, with the currency falling to around L950 against the D-Mark.

Economically, the recession is deepening, with rising unemployment and slowing output. Meanwhile, the outlook for corporate profits remains gloomy. Very poor 1992 earnings, which will begin to be announced from next month, have already been discounted. Many analysts admit prospects for this year are little better.

Some point to 1994 as the year of recovery. But even if there is light at the end of the tunnel, it is too far ahead to warrant the current euphoria.

EUROPE

Bourses little changed on German M3 drop

THE SURPRISE contraction in German money supply in January did little for bourses yesterday, especially for Frankfurt itself, *writes Our Markets Staff.*

At 16.30 in London the FT-SE Eurotrack index was only 1.85 higher at 1,134.80. Dealers said that the M3 figures were another step towards the next cut in German interest rates, but they did not think that the next cut was imminent.

FRANKFURT saw the DAX index up 5.13 to 1,677.39 over the official session, up 1 per cent on the week, and an estimated six points more in the domestic post-bourse, but by late afternoon in London the extra gains had virtually disappeared.

Individual equities and sectors extended the themes of the week. Car stocks, already relatively weak, were dragged down by Volkswagen. VW fell DM8.60 on the day, DM18.90 on the week to DM278.80; it had been suffering from a downgrade by DB Research just over a week ago, and yesterday it was more sensitive than its competitors to January registration data which showed a 27.5 per cent fall from last year and a drop of 18.3 per cent from a record December.

Like VW, the other main theme stock, Bayernhypo, might also have been affected by expiration of options contracts on the Deutsche Terminbörse, reflected in a surge in German equity market turnover from DM6.5bn to DM9.4bn. It has also been a major play on interest rates, rising DM6.80 on the day, and DM18.80 on the week to DM434.80.

Some stocks moved on a lack of news. Lufthansa, seen as a turnround situation and one of the strongest performers in the DAX this year, rose another DM5.50 to DM124. Schering, in pharmaceuticals, put on DM19 to DM742.50 for a rise on the week of DM34.50.

PARIS took some motivation from the German data but generally activity in the market was concentrated in second-line stocks. The CAC-40 index rose 10.60 to 1,937.17 in turnover of FFr3.7bn, up 1.3 per cent on the week.

With an easing in domestic short-term interest rates this week, some analysts expect France to make a gesture towards further easing in the short-term, particularly as next month's elections approach. This, they argue, will feed through into the market with the CAC able to break through 2,000.

Among blue chips, financials firmed while reports of a bullish broker's research document on insurers helped Axa to a gain of FFr14 to FFr1,158. Société Générale went against the trend, down FFr1 at FFr634, on reports that it had lost money on options trading.

LVMH eased FFr60 to FFr3,330 as the group denied rumours, active on Thursday, of restructuring plans. Other elements of Mr Bernard Arnault's group rose: Christian Dior up FFr12.10 at FFr256.10 and Bon Marche FFr9 higher at FFr563.

ZURICH declined on profit-taking, especially in the chemicals sector, the SMI index falling 14.6 to 2,117.3, 0.9 per cent lower on the week.

Among chemicals, still shaken by healthcare reforms in the US, Roche certificates fell SFr40 to SFr4,090 and Sandoz SFr90 to SFr3,060. Meanwhile, a slight increase in money market rates discouraged buying in the insurance sector, where Zurich and Winterthur were both unchanged at SFr2,200, and SFr3,210 respectively.

AMSTERDAM was stronger on options expiry, in the absence of corporate news. The CBS Tendency index rose 0.7 to 99.7 for a gain of 0.8 per cent on the week. Ahold was one of the day's main exceptions, Fl 1.60 lower at Fl 91.60 as finance stocks showed broad gains, with Amev up Fl 1.10 at Fl 67.90 and ING Fl 1.20 firmer at Fl 62.60.

STOCKHOLM saw Astra fall SKr7 in the B shares to SKr694 ahead of Monday's results. The Affärsvärlden General index climbed 3.07 to 987.97 in high turnover of SKr1.14bn, up 0.7 per cent on the week.

S-E Banken continued to weaken following its announcement on Thursday of heavy losses and the C shares eased SKr1 to SKr11.

OSLO was encouraged by falling money market rates and the all-share index gained 3.01 to 401.75 in turnover of NKr450m.

Among the actives, Norsk Hydro and Kvaerner both gained NKr1.50, to NKr164 and NKr164.50 respectively.

TEL AVIV fell in a second consecutive day of sharp losses as the market reacted to more comments by politicians, who said that institutional investors are manipulating share prices, dealers said.

The blue chip shares index lost 7.95, or 3.9 per cent to 194.63.

FT-SE Actuaries Share Indices

February 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1131.18	1131.02	1130.42	1130.17	1131.70	1137.01	1136.60	1136.60
FT-SE Eurotrack 200	1187.86	1188.03	1185.53	1185.64	1186.20	1191.41	1189.68	1191.09

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 12
FT-SE Eurotrack 100	1132.95	1121.77	1123.14	1132.97	1129.97
FT-SE Eurotrack 200	1191.03	1173.51	1179.54	1184.15	1181.05

Base value 1000 (26/10/90) Highday: 100 - 1137.32; 200 - 1193.46 Lowday: 100 - 1129.56 200 - 1185.85 .

SOUTH AFRICA

SHARES lost some early gains but remained encouraged by the firmer bullion price. The overall index rose 6 to 3,487, while industrials improved 11 to 4,541. The gold index gained 18 to 1,027 with Vaal Reefs up R5.50 at R184.

ASIA PACIFIC

Utilities gain ground on higher yen

Tokyo

SHARE prices moved up marginally in quiet trading ahead of the weekend as most investors remained inactive after another day of volatility on the currency market, *writes Emiko Terazono in Tokyo.*

The Nikkei 225-issue average gained 27.89 to 17,010.03 on last minute, arbitrage-related buying, leaving it 0.9 per cent higher on the week. After moving within a narrow range in the morning, the index fell to the day's low of 16,887.53 in the afternoon before rising to a high of 17,023.58 just before the close.

Volume fell to 220m shares against 250m. Losers led gainers by 477 to 420 with 228 issues unchanged. The Topix index of all first section stocks gained 0.94 to 1,294.06 and, in London, the ISE/Nikkei 50 index rose 0.18 to 1,035.99.

The Nikkei index has fluctuated within a 343 point range during the week and many traders expect the market to remain around 17,000 with buying by public funds preventing a heavy fall. Mr Alan Livsey at Kleinwort Benson said that the bear market seemed to have ended but that little would happen for the next month or so.

Electric utilities, which depend on debt to fund capital investment, gained ground on the higher yen and lower bond yields. Tokyo Electric Power advanced Y10 to Y2,570 and Tohoku Electric Power added Y50 to Y2,540.

Steel issues were higher on buying by institutional investors, trying to take advantage of the stocks' dividend potential ahead of the March book-closing. Nippon Steel put on Y3 to Y298 and NKK appreciated Y3 to Y259.

Sony lost Y100 to Y4,000 after the company announced a 62 per cent fall in consolidated pre-tax profits for the three months ending in December. Some investors fear that the current strength of the yen will depress Sony's profits further.

In Osaka, the OSE average fell 34.37 to 18,385.54 in volume of 62.6m shares. Selling was centred around high-technology issues, while pharmaceuticals were also weak on profit taking.

Roundup

A GOOD week for the region, particularly for Hong Kong, ended relatively quietly. Bombay was closed for a Hindu holiday and will reopen on Monday.

HONG KONG ended a nine-day rally, but political optimism lingered on as profit-taking pushing the Hang Seng index down by a token 16.85 to 6,170.09, 5.3 per cent higher on the week and 7.4 per cent better on the past ten trading days.

Turnover rose from HK$3.73bn to HK$3.90bn. There were still buyers in some senior blue chips with the most active stock, HSBC, gaining HK$1 to HK$64; but the second in line, Jardine Matheson fell HK$1.25 to HK$49.25.

AUSTRALIA reflected a spate of selling orders in afternoon trade, the All Ordinaries index closing 12.6 down at 1,594.7, 0.5 per cent down on the week in turnover of A$263.5m.

BHP fell 14 cents to A$14.10 in spite of a favourable January production report, but John Fairfax closed three cents higher at A$1.89 after announcing interim net profits.

NEW ZEALAND took its third successive tumble, the NYSE-40 losing 18.4 at 1,572.53 after a heavy gain on Tuesday when Telecom announced heavy reductions in its workforce. TAIWAN's weighted index ended 48.83 at 3,912.67 on profit-taking, still 3.6 per cent up on the week.

MANILA remained positive with blue chips providing support to the market. The composite index gained 14.98 to 1,473.24, a rise of 4.8 per cent on the week. Turnover was strong at 737m pesos from 610m pesos.

SINGAPORE closed off the day's highs as investors took profits and the Straits Times industrial index rose 6.91 to 1,639.04, up 1.6 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 18 1993 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY FEBRUARY 17 1993 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	129.32	+0.4	132.64	97.73	109.83	125.15	+0.4	3.93	128.79	132.23	97.21	109.01	124.68	153.68	106.18	146.02
Austria (18)	144.22	-0.7	147.92	108.99	122.48	123.40	+0.7	1.82	145.26	149.17	109.66	122.97	122.58	186.70	131.16	161.69
Belgium (42)	140.84	-0.1	144.46	106.43	119.61	117.06	+0.3	5.16	140.99	144.78	106.40	119.33	116.65	162.27	131.19	137.09
Canada (113)	117.81	-0.2	120.63	89.02	100.04	107.44	-0.3	3.07	118.05	121.20	89.09	99.91	107.76	143.12	111.36	134.36
Denmark (33)	206.17	+0.6	211.46	155.80	175.09	175.25	+0.7	1.56	204.94	210.41	154.68	173.46	174.07	272.94	181.70	248.00
Finland (23)	68.33	-0.8	70.09	51.64	58.03	84.68	+0.4	1.71	68.90	70.74	52.01	58.32	84.38	89.80	52.84	86.30
France (98)	154.33	+1.0	158.29	116.62	131.05	133.93	+1.3	3.35	152.75	156.84	115.28	129.28	132.21	168.75	136.93	152.78
Germany (62)	112.47	+0.7	115.38	85.00	95.51	95.51	+1.1	2.39	111.66	114.64	84.28	94.50	94.50	129.89	101.59	117.38
Hong Kong (55)	249.08	+1.8	255.45	188.21	211.52	247.20	+1.8	3.65	244.63	251.17	184.63	207.06	242.82	262.28	176.36	195.69
Ireland (16)	131.68	+1.4	135.06	99.51	111.83	123.99	+1.4	4.29	129.91	133.39	98.05	109.96	122.32	173.71	122.95	163.08
Italy (76)	60.21	+1.1	61.75	45.50	51.13	89.99	+1.7	2.97	59.53	61.12	44.93	50.38	88.80	80.86	47.47	74.66
Japan (472)	108.45	-0.2	111.24	81.96	92.12	81.96	-0.1	1.01	108.69	111.59	82.03	92.00	82.03	140.95	87.27	116.33
Malaysia (69)	267.68	-0.2	274.55	202.28	227.32	270.98	-0.1	2.47	268.11	275.28	202.35	226.92	271.28	282.42	212.48	250.18
Mexico (18)	1489.14	-1.3	1527.35	1125.34	1264.86	5030.67	-1.6	1.19	1509.23	1549.60	1139.06	1277.40	5118.64	1789.77	1105.04	1669.03
Netherland (25)	158.16	+0.7	162.22	119.52	134.32	132.79	+1.1	4.20	157.11	161.31	118.56	132.98	131.37	169.70	147.56	149.69
New Zealand (13)	44.92	-1.0	46.07	33.95	38.15	46.24	-0.9	4.73	45.38	48.59	34.25	38.41	46.68	48.52	37.39	45.69
Norway (22)	141.21	+0.2	144.83	106.71	119.92	133.35	+0.8	1.87	140.88	144.64	106.33	119.24	132.32	192.95	126.05	164.51
Singapore (38)	220.20	+0.6	225.84	166.40	187.00	166.37	+0.6	1.98	218.80	224.65	165.14	185.19	165.58	229.83	179.65	220.41
South Africa (60)	166.41	+0.5	170.68	125.76	141.32	167.97	+0.0	3.02	165.64	170.07	125.01	140.19	167.98	253.60	134.21	221.47
Spain (47)	126.26	+0.6	129.50	95.41	107.22	112.05	+0.5	5.43	125.47	128.82	94.70	106.19	111.54	161.72	107.10	156.29
Sweden (36)	162.19	+0.2	166.35	122.57	137.74	161.16	+1.5	2.20	161.82	166.15	122.14	136.97	176.41	200.26	149.69	173.09
Switzerland (56)	112.91	+0.5	115.80	85.33	95.90	105.63	+0.8	2.02	112.32	115.32	84.78	95.06	104.80	122.37	95.99	98.48
United Kingdom (226)	165.60	+1.0	169.85	125.13	140.62	169.85	+0.9	4.35	164.06	168.39	123.77	138.80	168.35	200.07	161.86	177.66
USA (522)	176.29	-0.3	180.82	133.23	149.73	178.29	-0.3	2.86	176.88	181.60	133.50	149.71	176.88	183.74	160.92	168.81
Europe (780)	137.72	+0.6	141.26	104.08	116.97	130.28	+1.0	3.59	136.62	140.27	103.12	115.64	129.00	150.60	131.31	144.50
Nordic (114)	150.11	+0.2	153.96	113.44	127.48	147.57	+1.2	1.98	149.76	153.76	113.03	126.76	145.65	188.52	141.24	173.18
Pacific Basin (715)	113.79	-0.1	116.71	85.99	96.64	88.30	+0.0	1.35	113.87	116.91	85.95	96.38	88.27	141.97	93.70	120.01
Euro – Pacific (1495)	123.46	+0.3	126.63	93.29	104.84	104.94	+0.5	2.37	123.06	126.35	92.87	104.15	104.45	145.21	113.80	130.07
North America (635)	172.66	-0.3	177.09	130.49	146.66	171.62	-0.3	2.87	173.22	177.85	130.75	146.64	172.19	179.56	158.70	166.63
Europe Ex. UK (554)	120.15	+0.7	123.23	90.82	102.06	108.23	+1.1	3.10	119.32	122.51	90.06	101.02	107.08	132.98	111.53	124.28
Pacific Ex. Japan (243)	166.15	+0.9	170.41	125.58	141.12	153.99	+0.8	3.48	164.76	169.16	124.36	139.45	152.70	175.31	146.06	156.38
World Ex. US (1686)	124.57	+0.3	127.76	94.14	105.79	106.93	+0.4	2.39	124.20	127.52	93.75	105.13	106.48	146.91	115.99	132.20
World Ex. UK (1982)	138.71	-0.1	142.27	104.83	117.81	124.20	+0.0	2.39	138.80	142.51	104.77	117.49	124.18	150.55	127.21	140.31
World Ex. So. Af. (2148)	140.98	+0.0	144.60	106.55	119.74	127.83	+0.1	2.58	140.94	144.71	106.38	119.30	127.70	150.05	130.04	143.07
World Ex. Japan (1736)	159.62	+0.1	163.72	120.64	135.56	155.21	+0.2	3.14	159.43	163.69	120.34	134.96	154.95	165.40	151.93	159.27
The World Index (2208)	141.06	+0.0	144.67	106.60	119.80	128.21	+0.1	2.59	141.01	144.78	106.43	119.38	128.07	153.70	130.66	143.56

Latest prices were unavailable for this edition.
Constituent change: Name change: Robert Jones Inv. to RJI Ltd. (New Zealand).

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield (1)	Yield (2)
Index-Linked						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for June 1992: 139.3 and for January 1993: 137.9.

OTHER FIXED INTEREST

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]						

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		17⅞xd	-⅛	21¼	14⅝	14,384	2.7
Allegheny & W.	♥	516p	-3	529p	225p	268.1	4.0
Amdahl		530p	-2	1158p	438p	601.9	1.3
Amer Cyanamid		33¼	-1⅛	38⅝	26⅝	3,042	3.4
Amer Express		16½xd	-⅛	17¾	10⅛	7,587	4.2
Amer T & T		36½xd	+⅛	38⅛	20⅛	49,541	2.5
Ameritech		51⅛	-⅛	52¼	32½	22,384	5.0
BankAmerica		34⅝xd	+⅛	37¼	19⅛	11,930	2.3
Bankers NY		46xd	-⅛	46⅞	26⅝	3,682	4.7
Bell Atlantic		37⅛	-⅛	38⅛	23⅛	16,071	4.8
BellSouth		37⅞		38¼	25	18,448	5.1
Bethlehem Steel	♥	12⅞xd	-⅛	13⅛	5⅛	1,139	-
Bowater		1452pxd	-8	1682p	905p	626.1	6.7
CPC	b	31⅛xd	-⅛	34	22⅛	4,733	2.6
Cadiz Land Inc	♥	115p		342p	108p	-	-
California Engy		1418p	-2	1420p	581p	298.2	-
Chase Manhattan		20⅝xd	+⅛	22⅛	9⅛	3,131	4.1
Chrysler		28⅛xd	-⅛	28⅞	8⅛	7,850	1.6
Citicorp		17⅛xd	+⅛	18⅛	8⅛	6,274	-
Colgate-Palm		38⅝xd	+⅛	43⅛	25⅛	6,368	2.1
Cont'l Bank		1585p	-5	1691p	489p	1,581	2.6
Dana		31xd	-⅛	34⅛	14⅛	1,421	3.6
Data General		847p	+32	1004p	384p	239.7	-
Decora Inds	♥	146p		148p	89p	-	-
Dun & Brad		38⅛	+⅛	40⅞	27⅛	7,615	4.0
Eaton		56⅛	-⅛	58⅝	32⅛	1,906	2.8
Echlin		17⅛xd	-⅛	18⅞	7⅛	981.5	2.8
FPL		26½xd	-⅛	27⅛	17⅞	4,814	8.4
Ford Motor		32⅞	-⅛	35⅞	15	15,711	2.1
Gen Elect		58¼xd	-⅛	61¼	36⅛	48,468	2.1

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		198½	-1½	200	147	3.2	221.3	15.5
Warrants		46	—	46	21	–	–	–
Scot Mortgage		190½	-½	196½	135	2.7	219.9	13.4
Scot National Inc		93xd	+½	107	65¾	10.8	–	–
Cap		23	—	42	12½	–	60.7	62.1
Stepped Pf		151¼xd	+½	155½	128	6.3	–	–
Zero Div Pf		208½	—	222	166½	–	–	–
Warrants		4	—	9	3	–	–	–
Scot Value		77	+½	77½	48	3.1	75.5	-1.7
Sec. Alliance		1480	-5	1493	1065	3.3	1593.3	7.1
Second Consld		107	—	108	88	–	184.2	41.9
Second Market		297	+1	299	222	6.7	340.1	12.8
Sec Tst Scot		82½	—	83½	61	5.3	83.6	1.6
Select Assets		122	—	125	78½	1.3	165.2	26.6
Eq Ind Serl		130	—	133	106	4.4	–	–
Eq Ind Serl		130	—	133	105	4.4	–	–
SHIRESCOT		121	—	123	98	5.8	118.8	-1.9
Shires		250	—	262	185	9.9	240.0	-4.5
11pc Cv Ln '03/04		£131½	—	£131½	£95½	8.4	–	–
Stem Select		133	—	138	66	0.3	160.1	17.3
Warrants		37	—	37	10	–	–	–
Smaller Cos		97	—	99	68	3.4	101.2	4.6
Warrants		23	—	25	10	–	–	–
Sphere Inc		18½	+1	20	9½	22.3	30.1	41.8
Zero Div Pf		63¼	-½	66¼	63¼	–	–	–
Sumit		45	—	55	30	3.7	93.4	51.8
TR City of Lon		135	+½	137	97½	4.7	128.5	-4.9
TR Euro Growth		102	—	102	70	1.8	109.5	6.8
Pig Sub		40	+1	54	27	4.8	–	–
TR Far East Inc		135xd	-1	139	76	4.4	133.4	0.8
Warrants		34½	—	38½	18	–	–	–
TR High Inc		114	—	119	91	7.8	111.9	-1.9
Sub		28	—	35	21	7.1	–	–
TR Pacific		132½	-½	134½	70	0.4	128.5	-3.1

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Europa Mins		10	—	62½	7	7.22	–
Glencar Expl IE		7	—	11	6	1.29	–
Greenwich Res		10	+¼	11	2	7.71	–
Hanlo Gold C$		84½	+¼	[illegible]	23½	493.8	2.2
Jersala West IE		40	—	60	30	21.6	–
Kalis Mins IE		7	+1	42	8	0.17	–
Kenmare		6½	-¼	8	2¼	6.48	–
Malloga Res		15	—	40	8	1.09	–
Nissan Res IE		34	—	[illegible]	[illegible]	4.56	–
8pc Ln Notes		25	—	34	25	6.09	–
Oryx Gold		97	-1½	103	46¼	–	–
Pasmen		30	—	12	3	1.07	–
RTZ		645	—	660	469	6,479	4.0
Vizcaya		4¼	-½	5¼	1	2.84	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- [illegible]
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- [illegible]
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- [illegible]

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. [illegible] [illegible] preliminary figures. s Dividend yield [illegible] payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v [illegible] subject to ACT. z Dividend yield includes a special payment. [illegible] F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest [illegible]. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on [illegible] official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. [illegible] yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FINANCIAL TIMES

Weekend February 20/February 21 1993

Islamic Pan American Bank at centre of alleged Salvation Army fraud

Bank probed in Britain and US

By Our Financial Staff

AN ALLEGED fraud that cost the Salvation Army $8.8m (£6.2m) is believed to be part of a much wider international fraud involving a mysterious Argentine bank under investigation by police and regulators in the UK and US.

The bank, Islamic Pan American Bank, has been the subject of British police investigation since the summer.

This emerged yesterday as the Salvation Army – which has an income of £80m, of which £12m comes from public donations – filed a formal fraud complaint in connection with the loss of funds with the Metropolitan and City Police Company Fraud Squad.

Earlier this week, the Salvation Army issued a writ to recover missing cash in which it named the Islamic Pan American Bank as possibly holding its funds.

Officials confirmed yesterday that the bank was at the centre of a police inquiry launched after a UK importer, attempting to claim funds under standby letters of credit provided by Islamic Pan American, found no trace of the bank. The importer had attempted to collect funds owed to him after a shipment of goods failed to arrive.

A standby letter of credit is a guarantee from a bank to a customer that it will honour that customer's trade debts to a third party.

The US Comptroller of the Currency, the regulator of US banks, said yesterday it had issued a formal warning on October 16 1991 that Islamic Pan American and an affiliate, identified as Easttech, may have been operating a banking business from Dallas, Texas without authorisation. The two organisations remain on the Comptroller's warning list.

According to the July 1992 edition of the Bankers Almanac, Islamic Pan American is based in Buenos Aires with US offices at 6510 Abrams Road, Suite 300, Dallas, Texas. The telephone number for the address was contacted by the FT. It was answered by a Mr Jim Burch of commodity traders Interfin. Mr Burch said he had lost £15,000 in a transaction involving an individual claiming to represent Islamic Pan American Bank.

The Almanac says the bank has $286m capital. However a regulator said: "We do not believe all the information in the Almanac." The Almanac also says that Price Waterhouse, the accountant, is the bank's auditor.

PW said last night that Islamic Pan American Bank was not a client of either its Argentina practice or any other member firm in South America and that it would be investigating the connection claimed by the bank.

The Buenos Aires address given in the Almanac appears to have been occupied by Arab News Agency, which is listed in the Almanac as a subsidiary of Islamic Pan American. Pinned to Arab News Agency's door is a notice saying that the office was closed down by judge's order on 17 October 1991.

The solicitor acting for Mr Stuart Ford, one of the defendants in the Salvations Army's civil case to recover missing funds, said yesterday that Mr Ford denied any wrongdoing: "His view is that everything will be sorted out to the satisfaction of the Salvation Army on his return [to the UK]," Mr Jim Crocker, of solicitor Howell and Co, said.

The Salvation Army's writ accuses Mr Ford, Tilen Securities and Mr Gamil Naguib of "fraudulently representing to the Salvation Army that they proposed to invest and/or had invested $10m…and/or the sum of $8.8m…in the purchase and sale of standby letters of credit."

The three are also accused of "misappropriating" the $8.8m and using it for their own purposes.

Mr Ford made at least two property transactions and it was these which led to the involvement in the affair of Edge & Ellison, a leading Birmingham law partnership. Between three and four weeks ago, Edge & Ellison received a telephone call from the Salvation Army, alleging that Mr Ford had absconded with its money. Edge & Ellison acted for Mr Ford in the purchase of properties in Scotland and England.

Greenspan backs Clinton package

By Michael Prowse and George Graham in Washington

PRESIDENT Bill Clinton won important backing for his economic programme yesterday when Mr Alan Greenspan, Federal Reserve Board chairman, praised the plan as a "serious proposal" to deal with the US budget deficit.

Mr Greenspan, who annoyed some Republicans by sitting next to Mrs Hillary Rodham Clinton during President Clinton's presentation of his programme to Congress on Wednesday night, commended Mr Clinton for proposing specific spending cuts and tax increases instead of the vague caps on programmes proposed in the past.

The Fed chairman's support gave Mr Clinton a helping hand as he travelled across the country to drum up popular support for his proposals.

Delivering his Humphrey-Hawkins monetary testimony on Capitol Hill, Mr Greenspan was pressed by Democratic senators to support the Clinton plan with "complementary" monetary policies.

However, Mr Greenspan refused to commit himself to lowering interest rates to offset an negative impact on growth from cuts in the deficit. The Fed "could not specify in advance what actions might be taken in the presence of particular fiscal policy strategies".

It was crucial to reduce the deficit which would otherwise "increasingly threaten the stability of the economic system." However, he warned against relying too heavily on tax increases. Since many programmes were growing faster than the tax base, stabilising the deficit by this route would require "ever increasing tax rates". There was thus no alternative to much slower growth of spending.

"I trust the president's endeavour to rein in medical costs will contribute importantly to this goal," he said.

In Chillicothe, Ohio, Mr Clinton said he was trying to present a balanced programme. "Congress will decide to vote for it in part based on whether people in towns like Chillicothe all over America think it's a good deal," he said.

The Clinton plan would raise $246bn of new taxes in 1994-97, mostly from higher income taxes on the wealthy and from a new energy tax, with $247bn of spending cuts.

This would be offset by spending increases and tax breaks totalling $169bn over the same period, but would still reduce the expected 1997 deficit to $206bn, $140bn less than the current projection.

Greenspan upbeat, Page 3
Smoother after a few days' growth, Page 8
Currencies, Page 13
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Italy shaken by cabinet resignations

Continued from Page 1

government survive, pending approval of new electoral laws which could pave the way to fresh elections and a more representative administration.

While Mr Goria, a former prime minister and treasury minister, has not been under any recent judicial investigation, he has been embroiled in a long-running investigation into a 1976 affair involving the local savings bank in his Asti constituency. More recently, leading local Christian Democrats have been investigated by magistrates over allegations of political kickbacks, allegedly totalling L7.5bn, on the construction of a local hospital. Yesterday, magistrates made a further wave of arrests among politicians in Asti.

In his resignation letter to Mr Amato, Mr Goria said he could "not tolerate suffering accusations which were unjust, unfounded and unreasoned, without the ability to defend himself".

Mr De Lorenzo's resignation followed a Thursday vote by the parliamentary committee to approve a request by Naples magistrates to lift his immunity as an MP.

The decision triggered threats by some leading Liberals to pull out of the coalition failing a clear declaration of support from the prime minister. After meeting Mr Amato last night, Mr De Lorenzo, whose 89-year-old father was placed under house arrest on separate charges yesterday, confirmed he would step down.

Labour's links with unions of 'immense value', finds report

By Robert Taylor, Labour Correspondent

THE long-awaited interim report on the future of the Labour party's links with the trade unions suggests they are "a cause for celebration rather than concern". It argues strongly that Labour's relationship with the unions "continues to be immensely valuable to the party".

However, the document proposes an end to the union block vote at party conference and the eventual introduction of one member one vote for the selection of parliamentary candidates and election of the party leader.

But the 15-strong group of senior union officials and Labour MP's was unable to agree on firm recommendations. Instead their report, to be presented to the party's national executive committee, sets out a series of options.

A questionnaire will be sent out to trade unions and constituency parties. They will have until June 10 to respond. The NEC will then decide on precise proposals and present them for approval at the party conference in the autumn. But Mr John Smith, the party leader, is expected to comment on the union-party links at next Wednesday's NEC meeting.

The only member of the review group to oppose the party's present links with the unions was Mr Tony Blair, Labour's home affairs spokesman.

The report is firm in its proposal to end the union block vote at party conference and replace it with a system under which the voting entitlement of each union is divided up among its delegates and cast separately.

It also agrees on the gradual move to a 50-50 voting parity between the unions and constituency parties in the annual conference, although it suggests the introduction in the autumn of a 70-30 split between union-party voting strengths should be retained for the time being.

The group argues strongly for maintaining union links with Labour. It argues the unions are "a realistic and stabilising force in the party without whom on many occasions in the past few decades the Labour party would have torn itself apart".

It suggests unions' involvement keeps the party more closely in touch with "the concerns and preoccupations of people who vote Labour".

The report also stresses the direct links the unions provide for the party to 8m trade union members and the organisational strength the unions can provide at local level.

The group notes that "a quiet revolution" has been taking place in "the public appreciation of the relevance of trade unions." But it believes changes are needed to bring "a new dynamism" to the union-party relationship.

Blair urges 'moral' approach on crime, Page 4

ICI poised to go ahead with split

Continued from Page 1

to have only broken even last year on turnover of about £1.4bn.

Zeneca might have some difficulty completing a rights issue given the poor recent stock market performance of drugs stocks.

In addition, when ICI reveals its full-year results on Thursday, the group is expected to show that Zeneca's performance has deteriorated since 1991.

Hoare Govett, the UK broker, estimates that Zeneca's operating profits fell from £917m in 1991 to £765m last year. Its pharmaceuticals operations are expected to post static results, while those of its agrochemicals business will decline. The speciality chemicals division, which was designed to provide counter-cyclical earnings, is forecast to make operating profits of only about £26m on turnover of more than £1bn.

On Wednesday, ICI's board, comprising eight executive directors and six non-executive directors, will decide on a straight show of hands whether to split the company. The decision will be revealed the following day after the 1992 full-year results are announced.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz AG	2267	+	25
Didier-Werke	121.5	+	7.5
GEHE	394.5	+	21.5
Falls			
Douglas Hld	485	–	6
Heidelb Zem	970	–	10
Volkswagen	278.8	–	8.6
New York ($)			
Rises			
BankAmerica	51¾	+	1¾
Br Petroleum	47¾	+	1¼
Citicorp	25⅞	+	1¼
Wells Fargo	92⅞	+	2¾
Falls			
Merck	36⅞	–	1
Pfizer	55⅞	–	3¼
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
BNP Cert Inv	596	+	15
Dollfus Mieg	304	+	16
Euro RSCG	487	+	27.5
Fonc Lyonnaise	640	+	22
Redoute	6990	+	410
Sagem	2970	+	150
Tokyo (Yen)			
Rises			
Fujitsu Gen	459	+	44
Nichibei Fuji	252	+	22
Nihonkai Steam	218	+	22
Toho Acetylene	246	+	22
Tohoku Elec	2500	+	50
Falls			
Sony	4000	–	100
London (Pence)			
Rises			
Bass	604	+	19
Brit Aerospace	262	+	12
Castle Mill	12¾	+	2¾
Cupid	56	+	3
Dickie (J)	50	+	4
Harlstone	267	+	16
Honeysuckle	55	+	9
Kingfisher	576	+	18
Kode Intl	165	+	24
Mid-States	53	+	5
Racal Elec	199	+	10
Ramco Oil	126	+	17
Sherwood Compt	305	+	17
Tilton Hldgs	202	+	28
Treatt	160	+	14
Volex	413	+	12
Falls			
Aberdeen Pet	13¾	–	1¼
Glaxo	666	–	18
Gresham Tele	79	–	5
Haynes Publ	318	–	20
Pittencrieff	360	–	14
Sedgwick	169	–	9
SmKl Beecham A	432	–	11½
UK Land	27	–	3

World Weather

UK Today: A dry start overall, but rain over northern Scotland will spread southwards although southern counties should remain dry. Patchy rain over Wales. Rain and sleet at times over Scotland and northern England

		°C	°F
Ajaccio	C	12	54
Algiers	F	15	59
Amsterdam	C	7	45
Athens	F	[illegible]	46
Bahrain	S	21	70
Barcelona	S	13	55
Beijing	S	6	43
Belfast	F	7	45
Belgrade	S	5	41
Berlin	R	[illegible]	39
Biarritz	C	9	48
Birmingham	C	7	45
Blackpool	S	8	46
Bombay	F	27	81
Bordeaux	C	9	48
Boulogne	S	9	48
Bristol	F	10	50
Brussels	F	4	39
Budapest	S	3	37
Buenos Aires		–	–
Cairo	F	19	66
Cape Town	S	33	91
Cardiff	C	9	48
Chicago †	S	-14	7
Cologne	T	[illegible]	39
Copenhagen	F	4	39
Corfu	S	11	52
Dallas †	C	4	39
Dublin	F	8	46
Dubrovnik		–	–
Edinburgh	F	8	46
Faro	S	16	61
Florence	F	3	37
Frankfurt	C	6	43
Geneva	R	6	43
Gibraltar	C	15	59
Glasgow	S	9	48
Guernsey	C	8	46
Helsinki	Sn	-3	27
Hong Kong	F	20	68
Innsbruck	F	3	37
Inverness	C	7	45
Isle of Man	F	7	45
Istanbul	F	5	41
Jersey	C	9	48
Johannesburg	C	21	70
Las Palmas	S	22	72
Leeds	F	10	50
Lisbon	S	14	57
Locarno	S	7	45
London	C	9	48
Los Angeles †	F	17	63
Luxembourg	C	4	39
Madeira	C	18	64
Madrid	S	11	56
Majorca	S	15	59
Malaga	S	16	61
Malta	S	13	55
Manchester	F	8	46
Melbourne	S	30	86
Mexico City		–	–
Miami		–	–
Milan	F	6	43
Montreal †	F	-25	7
Moscow	S	-6	21
Munich	R	4	39
Nairobi		–	–
Naples	S	12	54
Nassau		–	–
Newcastle	C	8	46
New Delhi	S	20	68
New York		–	–
Nice	S	12	54
Nicosia	T	9	48
Oporto	S	16	61
Oslo	F	6	43
Paris	C	8	46
Perth	S	27	81
Prague	F	5	41
Reykjavik	Sl	1	34
Rhodes	F	12	54
Rio de Janeiro		–	–
Rome	S	12	54
Salzburg	R	4	39
S'Francisco †	R	13	55
Seoul	S	8	46
Singapore	F	31	88
Stockholm	Sn	0	32
Strasbourg	C	7	45
Sydney	F	23	73
Tangier	S	18	64
Tel Aviv	S	17	63
Tenerife	S	21	70
Tokyo	S	10	50
Toronto †	S	-17	1
Tunis	C	15	59
Valencia	S	16	61
Vancouver †	C	-2	28
Venice	S	7	45
Vienna	C	6	43
Warsaw	Sl	1	34
Washington †	S	-11	12
Wellington	C	17	63
Zurich	R	3	37

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Taxing time for shares

Wall Street's 83-point fall on Tuesday was a sharp reminder of what can happen to equity markets when governments decide to take decisive action on budget deficits. It remains nervous even though investors quickly remembered that the tax increases would actually have to be passed by Congress and that the measures would, in any case, have little impact on growth this year. London is not trading on quite such a high multiple, but UK share prices could also become sensitive to the threat of fiscal discipline on March 16. All the more so since the government has talked itself into such a corner that hopes of lower interest rates are fading.

Indeed, the equity market is starting to look bereft of supportive background factors. With over £2bn in rights issues so far this year, institutional cash is getting rather tight. That could explain why unfashionable stocks find it so difficult to attract support. Glaxo, for example, fell a further 3 per cent yesterday, despite Thursday's favourable results.

At least the first report of the seven wise men is some consolation, though its policy impact remains uncertain. By choosing a panel of such widely varying views, the Treasury has left itself a wide degree of latitude. But none of the experts expect tax increases of more than £4bn in this budget. Six of them think no tax increases at all should take effect in 1993. It would be difficult for Mr Lamont to announce any significant tightening without explaining why he has rejected the panel's advice.

Aircraft orders

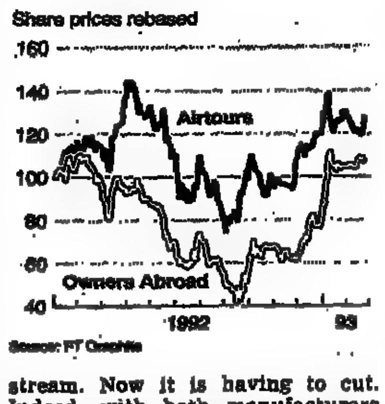
Boeing's decision to reduce its workforce was inevitable after last month's announcement of production cutbacks. While the scale of redundancies may have been unexpected, it only underlines the miserable state of the aircraft production industry. Output by the three main producers, which reached 860 airplanes in 1991, may fall below 500 next year. The North American market is particularly poor, with fare wars pushing many carriers into the red and forcing them to cancel aircraft orders.

That has hit Boeing in its home market. Airbus has a better geographical spread of customers, notably in the growing Far East market, but the European consortium is hardly immune. Airbus had hoped to expand production substantially as its new A330 and A340 aircraft came on

FT-SE Index: 2840.0 (+2.3)

Tour operators

Share prices rebased



Source: FT Graphite

stream. Now it is having to cut. Indeed, with both manufacturers determined to avoid large numbers of unsold airplanes sitting on the tarmac, output will fall faster than in previous recessions. Airbus has already slowed production once and may have to cut output by a further 10 per cent in the next few months.

Leased aircraft may also prove a problem. Some carriers, can return airplanes to the manufacturers at very short notice. At least 25 Airbuses currently leased by American Airlines could be returned. The consortium members, including British Aerospace, would have to carry the financing cost of such aircraft. While the problem is not as severe, it is an unpleasant reminder of the financing debacle in BAe's regional jet business.

Airtours/Owners Abroad

The Office of Fair Trading has been taking an uncommonly long time to decide whether to refer Airtours' £221m bid for Owners Abroad to the Monopolies and Mergers Commission. This is surprising, given there is such a strong *prima facie* case for examining the competition issues. Consumer groups believe the acquisition would accelerate the trend towards vertical integration, hurting small operators. Even Airtours was arguing this line in its 1991 annual report before the bid. It boasted about the advantages of integration which it claimed was making it difficult for new entrants to distribute their products.

A referral would theoretically leave Owners free to pursue its preferred strategic alliance with Thomas Cook. Shareholders might reject that proposal, however, if they thought there was any chance of Airtours returning to the fray. To date, Airtours has not said whether it will bid again if its offer is cleared. But it might do so, considering its arguments appear to be winning over the City.

Owners has a lacklustre record. This week's annual report, containing some worrying contingent liabilities, have not improved shareholder loyalty. A cash sweetener from Airtours could well seal its eventual success. But those investors who regard tour operators with suspicion have been given further reason to shun the sector. Owners' focus on Airtours' vulnerability to price wars will have only reinforced their prejudice.

Germany

In its predictably sniffy way, the Bundesbank was quick to stress the distortion in January's 2.3 per cent fall in M3 money supply. It has a case. The base on which the figure rests is the average money supply for the final quarter of last year when it was bloated by currency intervention. In January, some of that excess drained out of the money market. That creates a ready excuse for not bringing forward any official rate cuts. Equally, though, the bank is running out of reasons for holding tight much longer. The year has started off with such a fall that money growth will probably be below target for two or three months at least.

Excessive growth of M3 was a useful justification for tight money when the Bundesbank was also worried about the budget deficit and wage growth. Its anxiety about the former is unlikely to abate much in the foreseeable future, but with the real economy weakening rapidly, pressure for lower rates is increasing. One by one, the arguments against are falling away.

The threat to German import prices of a stronger dollar looks less after yesterday's congressional testimony by Mr Alan Greenspan. He showed no sign of putting up US interest rates again. Next week could see German consumer price inflation drop as February figures become available from the regions. Even so, the Bundesbank may wait to see a trend. To emphasise its caution, it also chose to downplay January's sharp year-on-year deceleration in bank lending to the private sector. Instead, officials point to total bank lending growth of 8.5 per cent in the six months to January. They seem determined to hold out till the last.

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Weekend FT

SECTION II Weekend February 20/February 21 1993

"THOSE WHO have already died will have their revenge. They will cut the sky into pieces so that it falls all over the land."

– Davi Kopenawa Yanomami

UNDER THE pounding glare of the Amazonian sun, a few wispy clouds throw their shadows onto a carpet of green treetops covering mountains and chasms as far as the eye can see. Stencilled through the heart of this dense jungle is the flashing ribbon of the Macujai river. Along its banks, the occasional clearings for a *maloca* (a conical woven hut) are the only signs of human presence.

The US aviation map of the north-western reaches of Roraima, Brazil's most northern state, warns intriguingly that the area is "largely unknown". The depths of the Amazon basin near the Venezuelan border was the setting for Sir Arthur Conan Doyle's *Lost Worlds*. Progress has not yet arrived and, almost 500 years after Pedro Cabral discovered Brazil, this stretch of rain forest remains untouched by the highways, hydro-electric projects, wood-cutters and settlements that have devoured much of the Amazon. It is home to an estimated 9,000 members of the world's oldest surviving isolated Indian tribe – the Yanomami.

The Yanomami are believed to have been there for thousands of years. They do not read or write, and use bows and arrows. Female children are often killed at birth and names are never spoken. After a death, the body is left in the trees for a week before burning, and the ashes are then eaten with banana paste. They subsist on hunting and fishing and precarious agriculture. *The land is poor so the population* is sparse and moves often.

The Yanomami reserve is accessible only by small plane after a laborious process of government authorisation. It has a tranquillity for which I could easily renounce urban living. The nearest road linking Roraima to the rest of Brazil starts 300km away. It was built in 1977 and has yet to be paved. Bulldozers and four-wheel drive vehicles are unknown. The somnolent day is interrupted only by the shrieks of parrots, unidentifiable whoops and calls from the bushes, and the chatter of monkeys in the trees.

Until 1987, the Yanomamis' only contact with whites was the occasional missionary. Five years ago it was discovered that these Stone Age people were sitting on one of the world's richest mineral deposits replete with gold, tin, diamonds and uranium. The result was a flood of 45,000 *garimpeiros*, or wild-cat gold miners. They brought guns, rum and diseases which, in three years, wiped out 10 per cent of the Yanomami population in what human rights' groups called genocide.

The international outcry prompted three operations to remove the *garimpeiros*. The first official trip by image-conscious

Ancient innocence: two Yanomami wash. Their Amazonian land is coveted for its mineral wealth and their rivers are being polluted by gold prospectors

Extermination in Eden

***Christina Lamb** visits uncharted Amazonia where the last Stone Age tribe is threatened by starving gold-seekers*

President Fernando Collor in 1990 was for the widely televised destruction of 84 clandestine airstrips. Last year, amid more grand publicity, he created a 9.4m sq km reserve (the size of Portugal) for the Yanomami to win points at the Earth Summit and reverse Brazil's reputation as an eco-villain. Now Collor is in disgrace, the Earth Summit forgotten and the *garimpeiros* are back – 12,000 since November.

Once more, Yanomami are dying: *200 in the past 12 months*. The Homoxi region, under the shadow of the Surucucu mountains, has been mutilated by airstrips slashed out of the jungle. The Macujai river has been choked with silt, polluted with mercury used to extract gold, and diverted in the frantic search for the precious metal.

From above, you can see tiny figures working Heath Robinson-type sluice contraptions, digging craters where fetid water gathers, breeding mosquitoes which carry malaria lethal to the Yanomami. Charlotte Sankey from Survival International, a London-based organisation active in the fight to preserve them, says: "If we don't do something, we will see another people wiped out – forever."

Although the 1988 constitution *guarantees that all 180 remaining* Indian tribes in Brazil will be granted their traditional lands by October – a total of 90m hectares in 510 reserves – powerful interests threaten the extermination of the Yanomami like so many others before them. Since 1500, Brazil's Indian population has fallen from 5m to 220,000. The "noble savage" has been seen as a barrier to development. Fernando Ramos Pereira, then governor of Roraima, said in 1979: "We're not going to let half a dozen Indian tribes stop progress."

The constitution is to be reviewed this year. Bishops, mining companies, politicians, land-owners, the military, environmentalists and *garimpeiros* are battling over the mining of Yanomami land. This would provide work for thousands of poor *Brazilians and revenue for the government* – but probably destroy the tribe.

In Homoxi, Funai, the national Indian agency, and Medicins Sans Frontiers, a medical aid organisation, have a post tending to the 48 Indians living nearby. At the sound of the plane, several emerge from their *maloca*, naked except for small knotted tangas, with red body paint and straws protruding from above their upper lips. Like children they come forward, touch and stare, chatter and giggle to themselves. Bored quickly, they go back to their hammocks where they loll listlessly, their stick-thin limbs and distended stomachs no advertisement for the natural life. Suddenly, they begin jabbering. Zelia, the Peruvian nurse, says they want to *know if we have come to remove the garimpeiros.*

At the other end of the short runway, makeshift huts covered with blue plastic sheeting show how close the invaders have come. Eight planes a day unload more, along with such diseases as influenza, malaria, tuberculosis and syphilis – against which the Yanomami have no defence. The pollution of the river has killed the fish and the noise of the planes has scared off animals. To appease the Yanomami, the *garimpeiros* gave them flour and rice – but their plantations have been left to wither and die. In their brutal introduction to western civilisation, they were given rum and the women were seduced. According to Zelia, two-thirds of the Homoxi Yanomami have had malaria. On the morning of my visit, three more sorry sufferers came in.

The *garimpeiros* do not look like villains. They are well-armed and *sport gold watches or nuggets, but* most have hollow cheeks, dull eyes and dirty shorts. All I met were from the poverty-stricken north-eastern states of Maranhao and Bahia. They had been forced out by drought, and all asked for food. Many have no alternative but to move from place to place, following the latest *fofoca* (rumour about a gold discovery). "I will only leave dead," said Vajel, who has been a *garimpeiro* since he was 15. "On a good day, you can get 20 grammes of gold – that's five months' minimum salary," said Raimundo. "If they push us out again, we'll come back. We've got no other option."

Some 5,000km and several ages away in Brasilia, a bearded man with furrowed brow paces a government office in heavy hiking boots and khaki shirt. Sidney Possuelo is charged with protecting Brazil's indigenous people as the head of Funai. He is angry. He feels powerless and worried that Brazil's new president, Itamar Franco, will succumb to pleas to open up the reserve for mining.

"I'm a *malandro* [scoundrel], not a politician," he says as he fires off a *letter to the army chief complaining* about the arrest of a French nurse in the Yanomami reserve.

At Possuelo's offices the lift is out of order, the 'phones are sometimes cut off and few lights are on. The government cash crisis has left Funai with no money to monitor the 272 existing reserves, or to demarcate the 238 outstanding. Last year, Possuelo received less than 10 per cent of his budget. So far this year, he has received nothing. None of Funai's nine planes is working.

The Collor decree, overriding military protests to create the Yanomami reserve, should have been a victory but, without funds to enforce it, Possuelo now suspects it was a mere marketing stunt.

"It's not enough to create a reserve when, inside, you have riches and, outside, marginalised people," he says. He accuses his opponents of distorting the picture. "What we're talking about is not maintaining the Yanomami as they are, like some museum piece for the benefit of anthropologists, but of giving them the option of staying as they are or joining the world around with time to adjust."

Over in the flying saucer-shaped Congress building, Senator Joao Fagundes says is having none of this. "We never felt we needed to keep the Vikings preserved in cages. It's no good saying that the Yanomamis' ways are lovely, let's keep them. What was good 200 years ago is not now."

He favours the solution of the former Sarney goverment, which demarcated 19 islands of 2.4m sq km to the Yanomami but gave *garimpeiros* or mining companies access to the rest. "The Yanomami land takes up 40 percent of Roraima. That's 10 sq km per person – no people in the world has that kind of land," says Fagundes.

Davi Kopenawa Yanomami, the tribe's Portugese-speaking representative, also visited Brasilia that day to present a bow and arrow to President Franco.

"I will tell Great White Chief that Omame [a Yanomami god] put minerals beneath the earth because it is cold. When these are taken out, they spread hot air and venom which causes many illnesses. We

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The Long View / **Barry Riley**

Gilts buck the odds

NOT A lot of people know this because, unlike new stock market highs, it does not make headlines – but the yield on long-dated British government securities dropped this week to near 8¾ per cent, the lowest level for 21 years. Far from being demoralised by the prospect of massive government funding at the rate of £1bn a week over the next year, the gilt-edged market is hitting back.

It would be nice to think that the reason was the rising credibility of the British government's economic strategy, but a glance at the rest of the major bond markets around the world reveals a general trend. The US long treasury bond yield, for instance, has declined from 7.5 to 7.0 per cent since early December, and only junk bond markets such as that of Italy – where 10-year government bonds yield over 13 per cent – *have really stood out.*

It would seem, therefore, that falling bond yields are primarily the consequence of the global recession. There is a check on this in the UK gilt-edged market, in the gap between the nominal yield on fixed coupon issues and the real yield on the index-linkers. This gap, which is a rough-and-ready measure of long run inflation expectations, has stayed steady at around 5 per cent so far. It is the *real* yield that has fallen.

Now, there are no absolutely simple explanations for global trends and something more has to be said about the US, where there appears to be an economic recovery under way. President Clinton's tax threats this week, and his promises of a 40 per cent cut in the US budget deficit to just over $200bn by 1997, have had something to do with the bond market's cheeriness. At the same time, the US stock market, which has existed for many months on hope and hype, was jolted by the *implied constraint on* economic growth.

It is unusual for the bond market and the equity market to move in different directions. In the classic stock market cycle, bond prices rise first but stock prices soon follow – albeit with a time lag of around six to 12 months. Market strategists monitor closely the ratios between fixed interest and equity yields, and they do not expect the relationship to change very much over time.

But we are not dealing with a normal business cycle. This week's bumper batch of British economic statistics included confirmation of the third successive annual fall in manufacturing output, the first time this has been seen since the beginning of the 1930s. What is happening is something outside the experience of post-war economic fluctuations, but fits in with notions of a long-term Kondratieff cycle.

Normally, a rising bond market would be expected to carry the stock market along with it. But the yield ratio has now dipped below 2, a figure which it has exceeded consistently – *averaging perhaps 2.3* – during the past 20 years while sterling has been floating (although it also fell below 2 while the UK was in the European exchange rate mechanism). Such a fall in the ratio says something about pessimism over dividend growth, and also something about optimism over low inflation.

On Tuesday, the Bank of England published its fascinating first quarterly Inflation Report, in which it warned that the government could have difficulty in holding underlying inflation below 4 per cent over the next two years. My own feeling is that there is a *necessity* for a certain amount of inflation in the sterling prices of traded goods so that British manufacturing industry will gain the incentive to reverse the disturbing trend in the balance of payments. But how can this imported inflation be prevented from triggering pay rises?

Real incomes of those in work have continued to rise steadily during the recession, as a red line on a Bank of England chart displays neatly. But unemployment has passed 3m and, even on the official definition, it will soon also be at levels not seen since the 1930s. Will employees at last grit their teeth and submit to a cut in real pay?

In the 1930s, the inflation rate rose by around 6 percentage points after the pound was devalued in 1931, but retail prices still increased by only about 2 per cent a year because they had actually been *falling* by 4 per cent annually from the late 1920s. Cheap money, cheap labour, cheap property and gently rising prices permitted reasonably vigorous economic growth. Gilt-edged yields subsided from 4.5 per cent in 1931 to about 3 per cent by 1936, and equity dividend yields fluctuated between about 5 and 3.5 per cent; shares, being riskier, had to yield *more* than government bonds.

Such bond yields seem unbelievable to us today, but remember that they are already reappearing in Japan where 10-year bonds return about 4.1 per cent. In the UK, the most recent period of really low inflation was a six-year spell between *1958* and *1963* when it averaged 1.9 per cent a year (including nil in 1959).

In those conditions, gilt-edged yields held at 5 to 6 per cent and the yield ratio was little over 1; indeed, it was in the 1959 bull market that the phrase "reverse yield gap" emerged. The *reverse* gap initially reflected rapid growth in the economy and, therefore, in dividends, but later mainly reflected inflation.

This week, the stuffy bankers of the IMF told the British government to raise taxes and cut spending, the early 1930s' recipe. On the other hand, the government is perceived generally to have an incompatible duty to keep an overpaid and underproductive British work-force in jobs. For its part, the government is enthusing thoughtlessly over the surely dangerous combination of rising retail sales and stagnant industrial output.

To believe in British government bonds yielding 8½ per cent, you have to believe that the *hidden* hand of Kondratieff is imposing inevitable deflation. It is no longer looking such a silly idea.

Wall Street

President hits the big players where it hurts

By Patrick Harverson in New York

IF PRESIDENT Clinton is looking to the US bond market for an endorsement of his plan for the nation's economic revival, he is looking in the wrong place. Stung this week by the stock markets' negative reaction to the announcement of widespread tax increases in his first budget, several times the President turned to the treasury market for comfort. He argued that surging bond prices proved that at least some people in the financial world understood the implications of his attempt to alter radically the direction of US economic policy. Unfortunately, the bond market's analysis of how the Clinton fiscal package will affect the economy is poles apart from the president's own thinking on the matter.

Treasury prices have risen sharply this week – sending the yield on the benchmark 30-year bond down to below 7.1 per cent, the lowest level in the issue's 16-year history – because fixed-income investors believe the mixture of big tax increases, spending cuts and selective government "investments" will do more to hinder, not help, the economic recovery. Such a prospect appeals to the bond market because anything that slows economic growth also slows the rate of inflation, which is good news for investors with assets like government securities that earn a fixed rate of return.

True, bond prices also rose this week because investors were pleasantly surprised by Clinton's tough stance on cutting the deficit, and because of speculation that the government will cut future issues of the long bond in an attempt to reduce the cost of financing the federal deficit. These, however, were side issues. Ultimately, the bond market gave the Clinton package the thumbs up because it felt the impact of its contents would be thumbs down for the economy.

Stock market investors agreed, which is why the Dow has fallen 4 per cent from the all-time high it reached just two weeks ago; why the Standard & Poor's has dropped 3.5 per cent from its record high; and why the Nasdaq composite of secondary stocks has tumbled 6.5 per cent from its recent peak.

Of course, there was a personal element to Wall Street's chagrin. Most of the brokers, market-makers and institutional money managers who make up the big players in today's equity markets will be among those hardest hit by the planned increases in personal income tax. The firms which employ them will also suffer from many of the new measures, including higher corporate taxes, lower deductibles on business entertainment expenses, a possible tax on securities transactions, and the elimination of deductions on "excessive" (Clinton's word – not Wall Street's) pay packets.

Investors also were unhappy about what the president did not include in his fiscal package: namely, more spending cuts. The stock markets always adopt a conservative approach to economic policy and, like Clinton's Republican critics on Capitol Hill, they believe the best way to cut the deficit is to reduce spending, not raise taxes. While the president did announce a range of spending cuts, they did not go far enough for the markets' liking.

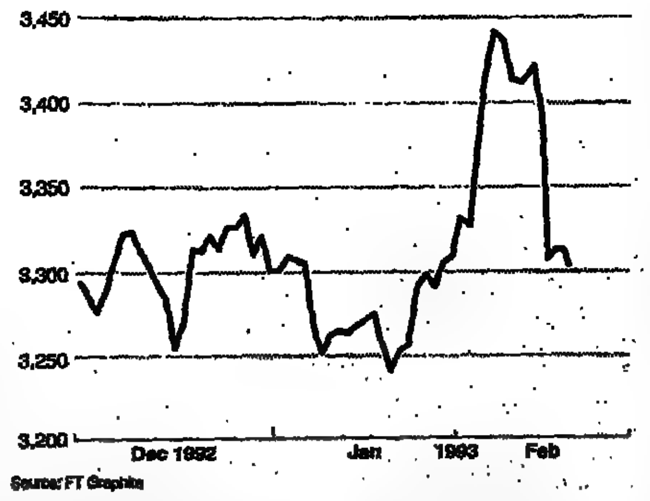
Although everyone's attention this week was focused on economic policy, there were technical factors at work that contributed to the declines in stock prices. Early this month, all the main market indices posted record highs, with the Dow advancing more than 120 points in just three days. At the time, the surge was put down to rising confidence in the economic outlook but, to many observers, the new highs looked unsustainable. The markets, as analysts love to say, were looking "frothy" – driven too much by speculative buying and bandwagon jumping, and not enough by economic or earnings fundamentals.

Typically, sudden increases in share prices can be difficult to retain. Often, they are followed quickly by equally sharp declines as investors take the opportunity to book some fast profits. Clinton's tax proposals, first outlined on Monday night, provided the perfect excuse for this week's profit-taking.

So where are share prices headed now? In all likelihood, nowhere fast. Alan Greenspan, chairman of the Federal Reserve and keeper of the markets' faith, told Congress yesterday that while the economy was gaining momentum, the outlook for growth was fraught with "considerable uncertainty" because of the changes in fiscal policy.

So, while the president spends the next weeks, and probably months, haggling with Congress over his budget plan, the stock markets are likely to tread water at least until the next flood of quarterly corporate earnings – which means, not until spring.

Dow Jones Industrial Average



Source: FT Graphite

Monday	Closed		
Tuesday	3309.49	–	82.94
Wednesday	3312.19	+	02.70
Thursday	3302.19	–	10.00

London

Wisdom and foolishness

By Peter Martin, Financial Editor

Do the Seven Wise Men, the government's panel of independent economic advisers who reported this week, owe their name to the Three Wise Men in the bible or the Five Wise Virgins?

I plump for the latter. While waiting to greet the bridegroom, the wise virgins armed themselves with reserve supplies of lamp-oil. When the bridegroom arrived, their five foolish sisters had run out of oil, and begged for help.

"But the wise answered, saying, *Not so*; lest there be not enough for us and you: but go ye rather to them that sell, and buy for yourselves."

This clear preference for market solutions is strong evidence for the link with today's economists.

The connection is closer still: by the time the foolish virgins had found their fresh supplies of oil, the bridegroom had arrived and barred the door, leaving them out in the cold. Like much economic advice, that of the Five Wise Virgins proved theoretically impeccable but practically useless. It remains to be seen if the Seven Wise Men do any better.

Their first dollop of advice, published yesterday, included a call for a two-point cut in base rates "in the next few months" from Gavyn Davies of Goldman Sachs.

He is unworried by the threat to sterling that a big cut in interest rates might pose, and adds: "Incidentally, if the underlying inflation rate moves above the top end of the 1-4 target range this year, it should be ignored . . ."

This was greeted with wry smiles by those who remember that immediately after sterling's exit from the ERM in September he warned against the foolish temptations of just the policy he is now recommending.

Well, times change. Perhaps inflation is yesterday's story, as Tim Congdon, the other City forecaster on the government's panel, argues. He is expecting underlying inflation in 1994 to be only 1 per cent, and can envisage prices actually falling in the mid-1990s.

Since these two economists rarely agree about anything, their lack of concern about inflation is striking. Investors share this view. Gilts continued their rally during the week, with the yield on 10-year gilts dropping to 7.85 per cent, a drop of a quarter-point in a week. Issuers seem to be viewing this as a not-to-be-missed opportunity to lock in cheap long-term money: Argyll issued a £150m sterling bond on Wednesday, and there are more to come.

Even the first of the Bank of England's quarterly inflation reports, also published this week, failed to dent the bond market's optimism much – though the Bank was noticeably more concerned about inflation than Davies and Congdon.

The report also contained the chart on the right. It shows the slide in export margins, which is probably already starting to reverse as a consequence of sterling's devaluation. As the chart on the right showed, the squeeze on exports coupled with the slowdown in retail sales has had a crippling effect on manufacturing output.

Just as interesting, however, is the fact that import margins have been under pressure even while sterling was over-valued in 1991 and 1992. As the Bank points out, this may mean that importers have little scope for sacrificing profitability to preserve market share.

That is potentially good news for domestic producers – especially as this week's January retail sales figures, a rise of 2.3 per cent compared with a year ago, confirm the steady upwards trend in the volume of goods sold.

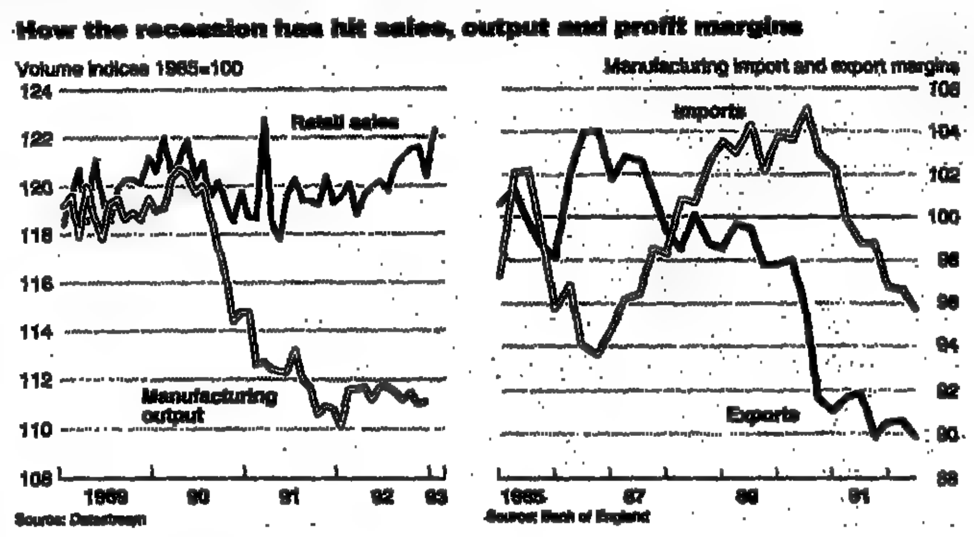
Though the stock market had a setback, in sympathy with Wall Street, on Tuesday, the FT-SE 100 index ended the week at 2840.0 down only 3 points. Companies making rights issues or acquisitions were viewed in a remarkably benign light, always a sign of general bullishness.

Bowater asked for £295m for an acquisition in the US, and its shares ended the week at 517p, up 33p. Bellway, a medium-sized builder, sought £33.6m; its shares fell only 14p to 382p.

RTZ was also given the benefit of the doubt, even though its $470m purchase of US coal assets is the sort of foray into an untapped field that in more pessimistic times would have caused ripples of fear. Its shares closed the week at 646p, down only 15p. Kingfisher, announcing the £560m price of its acquisition of Darty in France, was also greeted warmly: its shares closed the week at 576p, up 49p.

The market seemed in two minds, however, about what was possibly the best corporate news of the week: a 16 per cent rise in interim pre-tax profits at Glaxo, and a strong hint that it was not planning the bid for Warner-Lambert of the US that traders had feared. Glaxo shares, under pressure for much of the week because of worries about what President Clinton's health care review would do to drug prices in the US, bounced sharply on the news in very heavy volume. The downtrend resumed on Friday, however, and the shares closed the week at 666p, down 38p. It was enough to make the wisest virgin feel foolish.

How the recession has hit sales, output and profit margins



Source: Datastream

Source: Bank of England

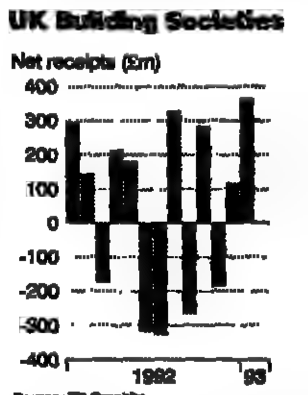
HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2840.0	-3.0	2873.8	2281.0	Wall Street uncertainty
FT-SE Mid 250 Index	3048.3	+42.0	3051.4	2157.8	Second-line stocks active
Amersham Intl	724	+36	728	413	Presentation to analysts
Bowater	507xd	+37½	507	298	Well-received acquisition
Chubb Security	277	+26	282	180	Presentations
Cowie (T)	200	+11	200	99	Firm distributors
Glaxo	666	-38	943	632	US selling
Gold Greenlees Trott	288xd	-11½	308	194	Rights issue
Granada	386	+25	386	192	Presentations/Hoare Govett "buy"
ICI	1118	-42	1410	975	Nervousness ahead of results
Kingfisher	576	+49	598	414	Darty merger
Kleinwort Benson	380	+32	380	212	Profits boost
Lonrho	90½xd	+11	180	57	Boardroom changes
Pittencrieff	360	+35	383	172	Demerger announcement
Smiths Inds	342	-23	394	255	Downgradings

AT A GLANCE

UK Building Societies

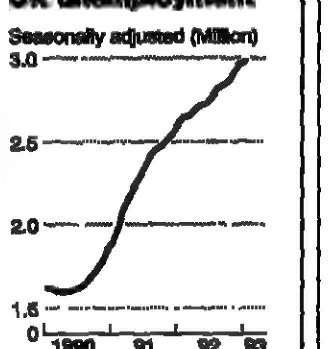
Net receipts (£m)



Source: FT Graphite

UK unemployment

Seasonally adjusted (Million)



Source: Datastream

Building societies' inflow triples

Building societies enjoyed a net inflow of £363m last month, the highest monthly figure for 15 months and more than three times December's inflow of £117m. However, mortgage lending was depressed with net new commitments down to £1.55bn in January from a revised figure of £1.89bn the previous month. Adrian Coles, head of external relations of the Building Societies Association, said the retail inflow was particularly welcome given the competition from National Savings.

UK unemployment breaks 3m

UK unemployment broke through the 3m barrier this week, for the first time in six years. It is now 3.06m (2.99m on a seasonally adjusted basis). This increases the social security bill for the government, and was interpreted as making higher taxes in next month's budget more likely.

Advice for investors

The Consumers' Association has published a new edition of its its guide to investment strategies and choices. It contains chapters on getting advice, tax, investing for children, and pensions along with explanations of the main investment products. *"Which? Way to Save and Invest," Consumers' Association and Hodder & Stoughton, £12.99*

A good wine and a bush

Witan, an international general investment trust managed by Henderson, has launched a campaign to attract investors. The trust is waiving the 3 per cent initial charge on its personal equity plan and has cut the annual management charge from 1.5 per cent to 1 per cent. Dealing charges are 1.25 per cent. Those who invest £6,000 in a Witan Pep before April 30 can receive either a year's free membership of the Royal Horticultural Society plus a rose bush; half a case of wines; or a 1993 Royal Mint UK proof coin set.

Fixed and portable

Portman building society has brought out a ten-year fixed-rate mortgage of 9.25 per cent (9.6 APR) on all types of mortgage. Insurance-related products need mot be taken out and there is no application fee. The mortgage is portable.

Small companies quiet

Small company share prices had a modest week, after their recent heady gains. The County index rose 0.4 per cent from 1047.71 to 1051.95 over the week to February 18, while the Hoare Govett index (capital gains version) rose 0.3 per cent from 1342.06 to 1346.28 over the same period.

A-Z of Personal Finance

THERE IS so much jargon in the field of personal finance that many people give up in despair. The result, too often, is that they make the either the wrong financial decisions or no decisions at all. But ignorance and apathy can prove disastrous. The Financial Times A-Z of Personal Finance, to be published with next Friday's paper, and repeated with Saturday's, is designed to give readers a working guide to their personal finances, and to help them to deal more confidently with advisers and other professionals in the sector.

Serious Money

Consider the options . . .

Philip Coggan, Personal Finance Editor, examines a new Pep

A PERSONAL equity plan which invests mainly in blue chip shares and offers a monthly income, after charges, of 10 per cent a year sounds like a wonderful deal.

Indeed, it seems so attractive that investors should reach automatically for their two guiding principles: "greater reward means greater risk" and "if an offer sounds too good to be true, it probably is."

Furthermore, this new unit trust from Hypo Foreign & Colonial, called the Higher Income Plan, is fiendishly complicated. Another rule for savers is "never invest in anything which you don't understand."

How does it work? Around 55 per cent of the portfolio is in the form of blue chip shares, which will provide a modest income (equivalent to 2-3 per cent on the total portfolio). The rest of the portfolio is invested in "debentures" (of which more later), money market instruments and cash. These provide interest income which pushes up the yield.

But the extra income – the portion which pushes the return on the Pep above that on most alternative plans – comes from options. An option gives the buyer the right, but not the obligation, to buy or sell a commodity at a given price over a given period. In return, the buyer pays a premium to the option seller (or "writer" in the jargon).

There are two kinds of option – a "call," which gives the purchaser the right to buy a commodity; and a "put," which gives the right to sell.

An example might help. On Friday morning, it was possible to purchase a call option on BT shares, giving you the right to buy them at 420p before May. The BT price then was 402p and the option carried a premium of 11p.

So, if the BT share price rises to 450p before May, the buyer can exercise the option and buy shares at 420p. He will then have a profit of 30p for an initial outlay of 11p. If the BT price stays at 402p, the buyer will let the option lapse and will have lost the 11p premium.

Hypo Foreign & Colonial's new unit trust will write both call and put options against the shares it owns. The premiums it earns by writing the options will boost the yield on the trust up to 10 per cent (after charges) for those who hold the trust in Pep form.

(Since the rules do not allow trusts to pay out option profits as income, Hypo F&C has arranged a clever deal whereby the "debentures" incorporate the options.)

One further twist is that the trust will buy a put option on the FT-SE 100 index, which will give it protection against a sharp fall in the stock market.

The trick underlying all this complex detail is that Hypo F&C has found a way of converting capital into income. By writing call options, the unit trust will not benefit from any sharp rise in the stock market (since the option buyer will exercise his rights). Hypo F&C says that over the past 15 years, stock market return has been 15 per cent a year – in the form of 10 per cent capital gain and 5 per cent income. Its new unit trust will aim for the same return, but in the form of 10 per cent income and 5 per cent capital growth.

The concept is not entirely new; similar funds are available in the US. It will be interesting to see how the fund works in practice in the UK. But I do not think that anyone planning to invest in it should expect any capital growth at all (and they could make a capital loss). The stock market might well not produce the same levels of nominal return that have been achieved over the past 15 years. Indeed, it could take a while for the investor to earn back the 5 per cent initial charge.

Nor will there be the same prospects for income growth as other Peps; option premiums do not grow in the same way as company dividends.

It is tempting to seize on any product which offers such a high yield, relative to the rest of the market. But this is a product which needs a lot of thought, and investors ought to take independent financial advice before parting with their cash.

■■■

So, farewell then, best advice. New guidelines from Fimbra, the regulator for financial advisers, are headlined "giving investment advice" and replace the "guidelines on best advice" issued in 1988.

One's suspicions are aroused automatically by such a change. Admittedly, best advice is difficult to define – it is easier to say when it does not occur than when it does. Nevertheless, dropping the word "best" hardly seems a triumph for consumer protection.

There are, however, some encouraging words for consumers in the new guidelines. Under a section headed "Exercise of judgment," Fimbra says: "Members must take care to ensure that their recommendations are made on the basis of the client's best interests and not on the basis of the income generated for the member. For example, the 'best' investment for a client who is particularly risk-averse might be National Savings certificates or gilts which do not generate any commission (although the member may charge a reasonable fee for his advice)... The benefits of the investment to the client must in each case be balanced against its costs."

If Fimbra members can live up to those injunctions, the consumer will be well served.

The Bottom Line

Glaxo fights for global crown

Pity Glaxo. Europe's largest drugs group is vying with Merck of the US to be the world's number one pharmaceuticals group. The company markets Zantac, the world's best-selling drug. Its underlying earnings growth in the six months to the end of December was 13 per cent – a performance that almost all companies during a recession would envy.

Glaxo appears to be doing everything right. Yet its shares have fallen from 814p last September to as low as 662p this week.

For the most part, the problems faced by Glaxo are those shared by the rest of the pharmaceuticals industry. US investors, noting the pick-up in the American economy, have been dumping defensive drugs stocks capable of generating consistent earnings growth during recession. Instead, they have been plunging into cyclical companies hit by the slowdown but capable of impressive growth during a recovery.

The swing against drugs stocks has been exaggerated by fears about the political outlook in the US for pharmaceuticals companies. The Clinton administration has pinpointed healthcare as a key agenda item. Drugs companies, many of which in the past have increased prices well above inflation, are directly in the administration's sights.

Dr Ernest Mario, Glaxo's chief executive, admitted this week that the outlook in the US looked extremely uncertain. Everything, he said, remained up in the air.

Glaxo is in a better position than many to withstand the Clinton administration. Glaxo has recently limited its US price increases to below the rate of inflation. At constant exchange rates, only 1 percentage point of its sales growth came from price increases compared with 12 percentage points from volume. In addition, the group does not manufacture medicines in Puerto Rico, so it would be less exposed to moves curbing the island's tax haven status.

Nevertheless, doubts remain about Glaxo's continued ability to drive double-digit earnings growth. Nearly half of its operating profits growth in the first six months was generated by Zantac, the ulcer treatment. After yesterday's results Goldman Sachs upgraded its 1995 sales forecasts for Zantac to a massive £2.6bn. However, the better-than-expected growth of Zantac underlines Glaxo's dependence on the drug. Glaxo faces challenges to Zantac's American patents, which protect the drug from generic competition up to 2002. If Glaxo loses, the drug could face such competition by 1996.

Zantac faces an earlier threat, too. Its main rival SmithKline Beecham's Tagamet is coming off patent next year. Cost-anxious US healthcare managers may insist doctors prescribe cheap generic versions of Tagamet rather than the more expensive, patented Zantac.

Glaxo's double-digit earnings growth is also becoming hindered by the company's very size. If its new drugs turn out to be only moderately successful Glaxo could face difficulties maintaining its growth. Goldman Sachs believes earnings per share growth may slow to under 10 per cent beyond 1995.

Glaxo's new drugs, such as its migraine treatment Imigran and its asthma drug Serevent, are still in the balance. They have not yet, or have only just been, launched in the US, Japan, Germany or France. Dr Mario warned, however, that Imigran's growth would not be explosive.

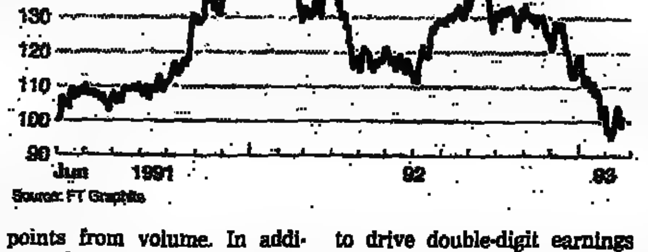
Glaxo's shares could be boosted next Friday if a Food and Drug Administration advisory committee review of Serevent is favourable. Also, Dr Mario has calmed immediate fears about a rights issue to fund the acquisition of a big company in the US over-the-counter, non-prescription drug market.

The main problem Dr Mario faces is not persuading investors Glaxo is a quality drug stock – it clearly is. Rather, he must convince investors to plunge further into defensive stocks when the US and UK economies appear to be recovering from recession.

Paul Abrahams

Glaxo

Share price relative to the FT-A All-Share Index



Source: FT Graphite

FINANCE AND THE FAMILY

Private investors prepare to jump on the bondwagon

***John Authers** looks at the renewed appeal of fixed-interest securities*

BONDS ARE back in favour. A gradual shift towards fixed-interest securities by British institutions before the UK left the European exchange rate mechanism has now turned into a flood of marketing directed at private investors.

The trend shown in the graph might make this seem strange. The effect of Black Wednesday was to force down yields on gilts – bonds issued by the UK government – across the board. But the "yield curve," one of the investment world's more Byzantine constructions, has shifted in ways which allow small investors some opportunities – along with more risks.

Long-term bonds now offer higher yields than short-term cash deposits. This, together with the "certainty" they offer – most pay a fixed rate of interest and have a set repayment value – explains their appeal to the small investor.

This return does not come without dangers, though – bond prices could fall, leading to a loss of investors' capital in nominal terms – or inflation could rise again, which would mean a capital loss in real terms.

In some cases, holding bonds until they are redeemed guarantees a capital loss.

Private investors can buy bonds directly, but many may find the task of selecting the right issue too daunting. That is where the financial services industry steps in, with a range of funds designed to take the hassle out of bond investing.

■ **Gilt unit trusts**

These were among the fund management industry's star performers of 1992. UK gilt and fixed-interest unit trusts logged net sales of £128.2m. The industry's own marketing has a lot to do with this, but more important is a pervading sentiment that inflation will be low throughout this decade.

The advantages of buying into a large, professionally-managed portfolio were displayed by the convulsions of Black Wednesday.

As Will Hay, the head of fixed interest at Standard Life, explains, some issues maturing in 2002 are priced at 112p and will be redeemed at 100p – so buying the issue for its attractive yield means buying into a capital loss. Unit trusts can aim to deliver a high yield while selling in time to avoid capital losses.

Bond funds can, however, have different aims. Traditionally, gilts are used for income, and present yields justify this. By buying three unit trusts which pay out quarterly, it is possible to arrange for monthly income, providing each pays its income in different months.

The table shows figures for all the gilt unit trusts with a track record of at least five years which pay out quarterly.

Some funds have exceptionally high yields, which is a sign that they are turning capital into income. This could appeal to some investors, but only if they are sure they can afford to lose some capital.

But some funds may aim for a total return (judged in terms of income and capital gains combined). The figures for growth, which assume that income has been re-invested, show that gilts have not delivered this reliably.

A further crafty device, pioneered by Mercury, is to hold enough overseas bonds to qualify for the capital gains tax indexation allowance. The fund aims for income, and makes a loss in capital terms after indexation. This loss can be offset for CGT purposes against gains elsewhere in the portfolio.

Rather more tax-planning opportunities are available offshore. Advice from an accountant is needed before attempting to take advantage of them.

"Roll-up" funds do not distribute income; instead, this is allowed to accumulate tax-free within the fund. Tax is payable only after the investment is redeemed. Distributor funds pay out income gross – very attractive at present yields – and tax does not need to be paid until later. Guinness Flight stresses that going offshore only defers tax.

If you are aiming for income, then the present yield is what you will get. What are the chances for total return?

According to Hay, a decision on whether to buy bonds hinges on your prediction for inflation. "If you believe inflation has been squeezed out of the UK system, we will see a good performance on the gilts market. You may see the total return performance deteriorate over three to five years if inflation picks up."

He considers gilts a very attractive investment in the short-term, but he is less confident over a medium term of three to five years because of the risk of accelerating inflation. Hay is also anxious about the possibility that gilts will be in over-supply.

Simon Briscoe, UK economist at Midland Montagu, is more confident than most about inflation. He forecasts that roughly 1 percentage point will be shaved off all gilt yields by the end of this year, and adds: "We would be looking for the longest-dated gilts to yield 7.75 per cent by the end of this year, and they are now on 8.6 per cent. That would give a healthy return."

Midland Montagu is backing gilts to outperform equities this year, with inflation staying between 2 and 4 per cent for the next three years – making 8.6 per cent look good.

■ **International bond unit trusts**

The best way to buy international bonds is via a fund. The minimum units in which they are traded, and the costs of transactions in foreign markets, make frequent trading in international bonds impracticable for a small investor.

International bond funds are also in favour, with net sales last year of £191.9m. Mercury's international bond fund, launched two years ago, now has £217.3m.

People who bought at the beginning of last year have done well so far. The funds come with an added currency risk, which delivered very strong performance for them last year as sterling devalued – average total return for the sector over the half-year to the beginning of this month was 17.75 per cent, according to *Micropal*.

European bonds, in which Barclays Unicorn launched a specialist fund last month, are attracting particular interest from analysts because base rates are still high, in line with the German Bundesbank's high interest rate policy. Once they fall, European bond markets should rally, delivering a capital gain.

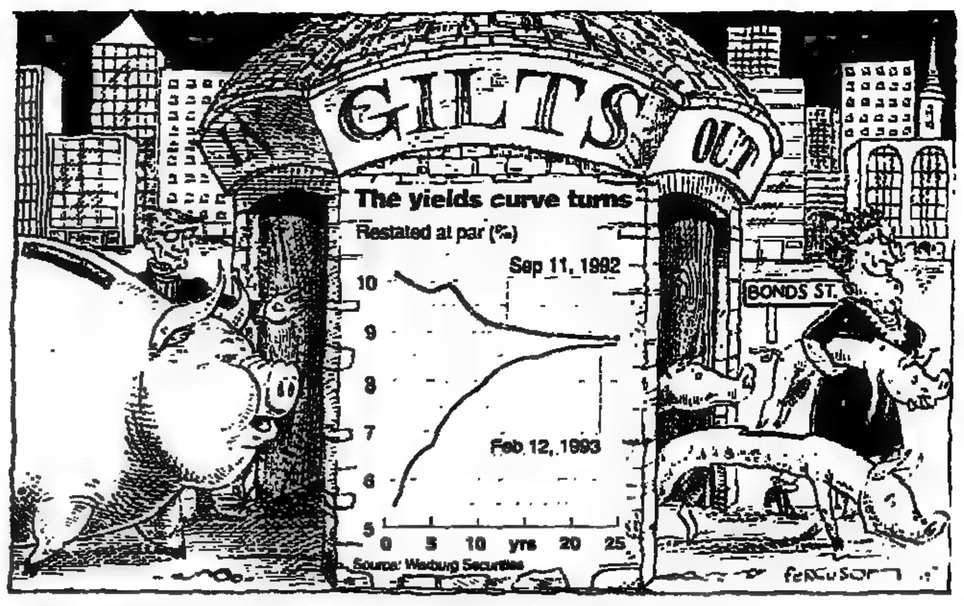
Peter Oppenheimer of Hambros, which manages the offshore EMMA umbrella fund, says: "We see European bonds as offering more value than gilts because the potential for base rates to come down is greater. French rates, in particular, are unsustainable."

Again, the table shows only those funds with a track record of at least five years which pay income quarterly. Yields are lower and managers, particularly in funds specialising in European bonds, tend to aim for a total return – income and capital gain combined – rather than income alone.

■ **Charges**

Initial and annual charges are more variable than they are for most of the industry. Some funds impose an initial charge of 5 per cent and an annual charge of 1.5 per cent, but annual charges nearer 0.75 per cent, and initial charges of between 3 and 4 per cent are common.

Gilts are cheaper to manage than equities and several companies have cut charges in the past year. They include Abtrust, which has two unit trusts with no front-end charge at all, Fidelity, Guinness Flight and INVESCO MIM. Now that companies are competing on price, look around for the cheapest option.



GILT & FIXED INTEREST UNIT TRUSTS

	Yield	Income paid	Growth 3 year	Growth 5 year
Abbey Gilt & FI	6.95%	January	40.02	49.51
Abtrust FI	9.23%	January	26.87	32.32
Barclays Uni Gilt & FI	8.81%	January	41.46	44.60
Clerical Med Gilt & FI Inc	8.42%	February	33.32	35.59
CU Pref Share	8.20%	February	19.47	51.15
Friends Prov FI	6.73%	January	26.78	33.77
Gartmore Pref Share	8.84%	February	8.39	18.54
Henderson FI	8.35%	February	35.44	39.27
Henderson Pref & Gilt	9.05%	March	11.25	11.13
Hill Samuel Gilt & FI	8.30%	February	28.64	30.46
INVESCO Pref Shares	7.23%	January	10.911	21.88
M&G Gilt & FI	9.08%	March	33.42	36.34
Midland Gilt & FI	7.14%	January	34.15	39.00
Prosperity Gilt	8.15%	March	28.98	32.18
Prudential Premier Inc	7.55%	March	34.03	40.52
Target Pref	7.95%	February	11.08	29.62
TSB Premier Inc	7.31%	March	31.74	34.56

Source: Micropal. Growth figures are offer-to-bid, with income reinvested, to February 1, 1993. The first month of the year in which income is paid is shown. Income is paid quarterly, every third month.

INTERNATIONAL FIXED INTEREST TRUSTS

	Yield	Income paid	Growth 3 year	Growth 5 year
Abbey Worldwide Bond	4.59%	March	41.90	50.82
Fidelity International Bond	4.85%	February	29.03	48.59
Gartmore Intl FI	5.53%	January	40.01	52.34
Waverley Global Bond	7.27%	January	27.06	46.24

Source: Micropal. Growth figures are offer-to-bid, with income reinvested, to February 1, 1993. The first month of the year in which income is paid is shown. Income is paid quarterly, every third month.

Court rejects payout

PEOPLE who lost money on investment bond home income plans because they followed bad advice from commissioned sales agents were defeated this week in their attempt to get extra compensation from the Investors Compensation Scheme.

The plans were sold late in the 1980s, mainly to elderly people, as a "safe" way of releasing income from their homes. In fact, the schemes involved taking out a mortgage and investing in equity-linked bonds. But the value of the bonds fell as interest rates rose and house prices dropped, pushing many people into debt.

Investors bought such things as holidays, believing they were spending interest earned on their home's capital. But they were actually consuming the capital itself.

The case against the ICS was brought in the High Court by solicitors Barnett Sampson, which argued that the ICS had interpreted its rules irrationally in deciding compensation. Barnett Sampson claimed the ICS should include money spent mistakenly by clients because of wrong advice, and that victims should get damages for distress and anxiety.

These arguments were rejected but the claimants did win one significant victory. The court allowed a relative or "personal representative" to bring or pursue compensation on behalf of a victim who had died. The ICS had refused to consider claims brought by relatives after a victim's death, or to pay compensation if the victim died before an offer had been made. This seemed particularly unfair, since victims are mostly elderly and the compensation process lengthy.

The case illustrates the arbitrary nature of the compensation process. If the home income plan was sold by a direct salesman or tied agent of an insurance company, the victim is arguably in a better position than anyone who dealt with an independent financial adviser. Large insurance companies, mindful of their reputations, have the resources and incentive to settle a claim in full. But independent advisers, authorised by Fimbra, usually are small companies with fewer resources and no national reputation to safeguard. If the adviser collapses under the weight of claims, investors can turn only to the ICS, which has different rules.

Lautro, the self-regulatory body for the insurance industry, requires a company to return people to the position in which they would have been had they not invested. But the court ruling means the same does not hold true for those getting compensation from the ICS. Its maximum payout per claim is £48,000 and it has awarded £5.5m to 327 of an estimated 1,650 claimants.

Barnett Sampson is appealing against the ruling.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

Blow for US expats

AMERICAN expatriates in London will be examining their pay packets with concern this weekend after President Clinton's State of the Union message. Many can expect substantial increases in their taxes and health care contributions because of the new administration's proposal to gather extra income from the middle classes and the rich.

Expatriates tend to be higher-paid staff. Most based in the UK are paid by their companies on the so-called "tax equalisation" or "tax-at-home" basis, with tax deducted as though they were still resident in the US.

Any individual earning above \$155,000, or a couple earning above \$140,000, a year after deductions would see their income tax rise to 36 per cent. Those earning above \$250,000 a year would also face a 10 per cent surtax. Equally important, all these groups could expect their FICA contributions – the Federal Insurance Contributions Act, covering medicare and social security payments – to jump following removal of the present \$135,000 ceiling. Employers would also face an increase in FICA contributions on behalf of employees.

Grady Townsend, of Price Waterhouse expatriate tax services in London, has calculated two scenarios. For a married expatriate with two children on a base salary of \$75,000, with housing, cost of living, education and car allowances worth another \$120,000, present tax is \$16,494. That remains unchanged under the Clinton proposals, but their employer's tax bill on their behalf would rise by *\$5,640* to \$12,403.

For an expatriate on a base salary of \$300,000, with allowances on the same items totalling \$190,000, the tax charge rises from \$89,136 to \$100,794. Their employer's contribution would increase from \$30,979 to \$33,268.

But Bruce Lassman, head of the US tax desk at accountants Ernst & Young, points out that the expatriates would be paying at a lower rate than the 40 per cent upper tax band imposed on UK citizens.

Andrew Jack

Expatriates / **Donald Elkin**

Cutting the tax bill on foreign income

HOW DO you exclude your overseas income from liability to British tax? The answer, in the jargon, is to be classed as not resident and not ordinarily resident in the UK. That is the rule. But as for most rules, particularly tax rules, there are exceptions.

One of these is when some of the duties of your overseas employment are performed in the UK. That could result in having to pay tax on part of your pay – but not necessarily, since UK duties which are "merely incidental to the performance of the other duties outside the UK" can be ignored for this purpose.

Work done by an overseas representative when he comes to the UK to report and get new instructions will certainly fall into the "incidental" category. So will visits for training which involve no directly productive work.

In both cases, the UK duties are inherently subordinate to those carried on overseas. The test as to whether duties are to be regarded as incidental is, therefore, concerned primarily with their substance, rather than the time they take.

Nevertheless, UK duties extending beyond three months in a tax year will not normally be accepted by the Inland Revenue as incidental.

Some of the work carried out by expatriates in the UK is, however, too important in itself to be treated as incidental. The duties performed by directors when attending UK board meetings, and by seamen and aircrew when bringing their vessels and aircraft into UK ports, all fall into this category.

In all of these cases, what is done is a fundamental part of the employee's work. Furthermore, to determine what part of their remuneration is taxable, some duties are deemed to be performed in the UK when actually they are not.

As civil servants know to their cost, their salaries are always chargeable to UK tax whatever their residence status might be. Aircrew and seafarers also come in for special treatment since, if they become residents of the UK, they are treated as performing there all of the duties relating to any journey, or leg of a journey, which begins or ends in Britain.

Unfortunately, such liability is the least troublesome of the disadvantages which can arise from performing duties of substance in the UK. Of much greater significance is the fact that doing so can change your residence status and, hence, the whole basis of your liability to UK tax.

Many expatriates retain accommodation for their use in the UK. Visiting the country in such circumstances gives rise to a resident status for the tax year concerned unless (a) there exists at the time a full-time overseas employment (or business); and (b) all of the duties of that employment are carried on outside the UK. This is the rule which often results in working husbands and non-fulltime working wives having a different residence status.

Unfortunately, if you perform duties of substance in the UK, you must necessarily fail test (b). As a result, you will be resident for any year in which you visit and, should you do so regularly, ordinarily resident too. This means that if you remain a UK domiciliary, as the great majority of British expatriates do, you will be subject to UK tax on your worldwide income and gains on the same basis as a permanent resident.

Well, not quite. Your salary at least might be excluded from liability as a result of the foreign earnings deduction. This applies to employment which is carried on wholly or partly outside the UK in the course of a qualifying period which exceeds 365 days.

"Qualifying period" is defined as any days spent outside the UK (whether working or on holiday) and, in addition, intervening days when you are in the UK – provided that no visit exceeds 62 consecutive days.

Nor should the total of them be more than one-sixth of the days in the period. (For seafarers, the limits are 183 consecutive days and one half of the days in the period).

The foreign earnings deduction, and particularly the one-sixth requirement, should be approached with caution. The rules are very complex.

So, if your employment looks likely to involve you in performing duties of substance in the UK, careful consideration of the tax implications is essential. But if, as a result, you become resident and ordinarily resident, there might be compensating advantages.

Foremost among these is the ability to pay personal pension contributions attracting an Inland Revenue subsidy of 25 per cent, whether you pay tax on your salary or not.

■ *Donald Elkin is a director of Wilfred T. Fry Ltd of Worthing, West Sussex.*

The Week Ahead

IMPERIAL Chemical Industries, the UK's largest manufacturer, reports its preliminary year-end results on Thursday and grim reading they will make. Hoare Govett expects ICI to report fourth-quarter pre-tax profits of only £27m, making a total of £550m for the year. That compares with £843m in 1991 and the peak of £1.5bn in 1989. But the poor results will be immaterial compared with the announcement of the board's decision whether to split ICI in two. The aim is to make Zeneca, the pharmaceuticals, agrochemicals and specialities subsidiaries, into a separately quoted company.

SmithKline Beecham, the Anglo-American drugs and consumer products company, reports preliminary year-end results on Tuesday. Analysts expect pre-tax profits to increase up to 13 per cent to between £1.11bn and £1.125bn, against £1bn a year earlier.

British Aerospace expects to see a revival in 1993 following a year in which its performance was undermined by £1bn of provisions. Hopes for a return to profit, however, will do nothing to soften the impact of its preliminary results on Wednesday. These are likely to show losses of about £1.1bn compared with losses of £81m a year earlier. Restructuring charges of £950m in the regional aircraft division have been blamed largely for the hole, although prospects look brighter following last month's Saudi order for Tornadoes.

The mild weather and new regulatory regime imposed by Ofgas is likely to be reflected in the final results for British Gas. The company is expected to announce on Thursday that profits have slipped to around £900m compared with a £1.16bn last time.

Increased competition and lower prices for domestic gas sales may also reduce the company's scope for a substantial increase in dividend. A pay-out of about 14p is expected, against 13.4p last year. The company's shares, meanwhile, are likely to remain under pressure while the Monopolies and Mergers Commission carries out a wide-ranging review of its business.

Royal Dutch Shell, the Anglo-Dutch oil company, will report its preliminary year-end results on Thursday when a small increase in profits is expected of up to £3bn compared with £2.89bn for 1991. The company is likely to raise its dividend in line with inflation to about 22p from 20.9p last time.

Unilever, the Anglo-Dutch food and consumer products group, is expected to report on Tuesday that pre-tax profits for the full year burst through the £3bn barrier, an improvement of about 13 per cent on the previous year's £1.79bn. Although flattered by the impact of sterling's devaluation in the final quarter, the results are likely also to reflect strong progress in south east Asia and parts of Latin America, and a recovery in North America after a poor performance the previous year.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Brabant	45	37	39	7.41	Aberdeen Pet.
Clifford Foods	573*	578	523	12.81	Unigate
Do. A.	251*	256	219	35.99	Unigate
Evode ‡	141	138	106	102.57	Laporte
Do. Prf. ‡	112	121	101	45.7	Laporte
Hunter Saphir ‡	42*	45	36†	10.37	Albert Fisher
Owners Abroad	111	118	109	185.39	Airtours
Do. Cov. Prf.	103	204	179	53.6	Airtours
Platon Int'l	26	25	20	2.77	Wills
Wherway	10	9¾	7½	13.98	McLeod Russel

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 19/2/93. §§Shares and cash. †Price at suspension.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Allders	n/a	Sept	15,200	(22,800)	-	(-)	-	(-)
Arainex	n/a	Dec§	65 L	(4,280 L)	-	(-)	-	(-)
Anglo & Overseas Tst	InTr	Dec	8,970#	(7,350#)	7.79	(6.39)	6.65	(6.45)
Baring Tribune Inv	InTr	Dec	4,500	(4,300)	6.27	(6.29)	6.45	(6.2)
Chelsea Building Soc	n/a	Dec	4,100	(8,100)	-	(-)	-	(-)
City Merchants High	InTr	Dec	1,950	(983)	9.75	(3.37)	7.87	(5.25)
English & Overseas	Prop	Dec	707 L	(2,320 L)	-	(-)	-	(1.0)
Fleming Fledgeling	InTr	Dec	861	(477)	3.74	(2.39)	3.0	(3.0)
Greenwich Resources	Mins	Sept	697 L	(108)	-	(-)	-	(-)
GT Chile Growth	InCo	Dec$	9,080	(11,200)	72.0	(97.0)	25.0	(-)
Kleinwort Benson	MeBk	Dec	45,300	(276,800)	26.6	(14.3)	16.0	(16.0)
Leslie Wise	Tex	Nov	2,520	(2,860)	4.86	(5.8)	4.0	(4.0)
Lincoln House	Misc	Dec	193	(285 L)	1.2	(-)	-	(-)
Lloyds Bank	Bnks	Dec	801,000	(625,000)	35.0	(27.7)	18.4	(16.7)
Mersey Docks	Tran	Dec	16,400	(13,200)	18.0	(17.0)	7.5	(6.0)
National Bank NZ	Bank	Dec	102,000†	(62,300†)	-	(-)	-	(-)
Newmarket Venture	InTr	Dec	1,300 L	(776 L)	-	(-)	-	(-)
Olim Convertible	InTr	Jan	1,800	(2,030)	9.16	(9.98)	8.8	(8.5)
River & Mercantile	InTr	Dec	9,820#	(6,880#)	10.05	(8.72)	9.2	(8.40)
St Modwen Properties	Prop	Nov	1,710	(2,110)	1.1	(1.7)	0.6	(0.56)
Temple Bar Inv	InTr	Dec	10,250	(11,020)	13.9	(14.3)	13.2	(13.0)
TR Pacific Inv Tst	InTr	Dec	808	(1,080)	0.73	(1.04)	0.35	(0.7)
Trust of Property	InTr	Dec	194	(127)	1.88	(1.44)	1.5	(1.45)
Vardon	H&L	Dec	2,430	(797)	4.2	(1.8)	0.75	(-)
Throgmorton Tst	InTr	Nov	6,680#	(7,440#)	2.35	(2.63)	2.2	(2.3)
Ward Holdings	C&C	Oct	5,290 L	(14,000 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alumasc Group	Misc	Dec	3,770	(3,650)	3.7	(3.55)
British Airways	Tran	Dec●	20,000	(100,000)	-	(-)
Bucknall Group	Prop	Oct	745 L	(752 L)	-	(-)
Control Securities	Prop	Sept	68,800 L	(4,400)	-	(-)
County Smaller Cos	InTr	Dec	232	(321)	1.12	(1.12)
Dalgety	FdMa	Dec	56,200	(53,800)	7.55	(7.5)
Glaxo Holdings	H&H	Dec	819,000	(709,000)	7.0	(6.0)
Hanson	Cong	Dec♦	236,000	(225,000)	2.85	(2.75)
Howard Hldgs	C&C	Oct	198 L	(211 L)	-	(-)
Mid Wynd Int'l	InTr	Dec	289	(314)	2.4	(2.4)
New Zealand Inv	InTr	Jan♦	101	(93)	0.5	(0.5)
North American Gas	InTr	Jan	527	(486)	-	(1.12)
Second Alliance Tst	InTr	Jan	5,160	(4,780)	12.5	(12.0)
SWP Group	BdMa	Dec	42	(31)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. # = Net revenue. $ = Figures quoted in US dollars & cents. † = After tax profits quoted in New Zealand dollars. ● = 3rd quarter figures. ♦ = 1st quarter figures. § = Figures quoted in Irish pounds & pence.

RIGHTS ISSUES

Bellway is to raise £35.5m via a two-for-seven rights issue at 320p.
Bowater is to raise £295m via a 1-for-6 rights issue at 400p.
Cupid is to raise £1.25m via a 4-for-9 rights issue at 26p.
Gold Greenlees is to raise £14.7m via a one-for-three rights issue at 236p.
Kingfisher is to raise £313m via a one-for-seven rights issue at 226p.
Lopex is to raise £3.5m via a 1-for-1 rights issue at 17p.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Admiral	Elec	Tuesday	1.5	3.3	1.7
Alexanders Holdings	Mtrs	Friday	-	1.0	-
American Trust	InTr	Tuesday	1.5	3.3	1.5
Baillie Gifford Shin	InTr	Friday	-	-	-
Baldwin	H&L	Monday	1.4	1.4	-
British Aerospace	EnAr	Wednesday	8.9	18.1	-
British Gas	O&G	Thursday	4.25	6.0	6.4
Caplin Group	BsSr	Monday	1.8	3.6	2.1
Capital & Counties	n/a	Thursday	5.0	6.0	-
Commercial Union	InCp	Wednesday	9.25	18.1	-
Dakota Group	PP&P	Wednesday	-	-	-
Dunedin Income Growth	InTr	Wednesday	8.4	17.0	8.4
Dunkeld Group	Tex	Thursday	-	-	-
East German Inv Tst	InTr	Tuesday	-	1.8	-
Fairway Group	Misc	Wednesday	1.0	2.15	1.0
Green Property	Prop	Thursday	1.2	2.6	1.2
Greenwich Comms	Med	Friday	-	-	-
Hewitt Group	Eng	Tuesday	1.0	1.5	1.25
Hotspur Invs	InTr	Wednesday	-	8.8	-
ICI	Chem	Thursday	21.0	34.0	21.0
Inoco	Prop	Friday	-	-	-
London Forfaiting Co	OtFn	Thursday	2.62	6.0	2.8
Low & Bonar	PP&P	Monday	2.7	5.4	2.7
McAlpine (Alfred)	C&C	Tuesday	4.5	5.6	3.0
Merlin Int'l Green	InTr	Thursday	1.5	1.65	1.0
Micro Focus Group	Elec	Wednesday	-	-	-
M&G Income Inv	InTr	Tuesday	-	-	-
M&G Recovery Inv Tst	InTr	Tuesday	-	-	-
Murray Int'l Tst	InTr	Thursday	7.5	3.4	2.7
National Westminster Bank	Bank	Tuesday	6.12	11.37	6.12
Pacific Assets Tst	InTr	Tuesday	-	1.0	-
Porvair	Chem	Tuesday	1.1	2.2	1.2
Provident Financial	OtFn	Thursday	8.5	16.5	9.25
Royal Insurance	InCp	Thursday	11.25	-	2.0
Scottish Eastern Inv	InTr	Tuesday	0.45	0.96	0.5
Sedgwick Group	InBr	Tuesday	4.0	8.0	3.0
Shell T&T/Royal Dutch	O&G	Thursday	8.9	12.0	9.2
Shires High-Yielding Sm Co's	InTr	Tuesday	-	-	-
Smaller Companies Inv Tst	InTr	Thursday	1.2	1.3	1.2
SmithKline Beecham	H&H	Tuesday	3.75	4.15	2.07
Telegraph	Med	Thursday	-	-	4.5
Thailand Int'l Fund	InCo	Thursday	-	-	-
TransAtlantic Holdings	InLf	Thursday	-	-	8.0
Unilever	FdMa	Tuesday	5.03	13.81	5.2
Updown Investment	InTr	Tuesday	-	12.0	-
Wickes	BdMa	Wednesday	-	-	-
INTERIM DIVIDENDS					
Amstrad	Elec	Tuesday	0.4	-	-
Ashland Group	C&C	Monday	1.1	3.02	-
BBB Design	Med	Friday	-	-	-
British Assets Tst	InTr	Friday♦	1.04	1.07	-
Channel Holdings	Mtrs	Monday	-	-	-
Colorgen	Othl	Thursday	-	-	-
De Morgan Group	Prop	Friday	-	-	-
Essex Furniture	Stor	Monday	1.25	1.5	-
European Smaller Companies	InTr	Tuesday	-	-	-
FR Group	Misc	Monday	5.5	8.5	-
Flogas	Misc	Thursday	2.94	4.98	-
Foreign & Colonial Enterprise	InTr	Monday	-	0.4	-
Gartmore Value Inv	InTr	Thursday●	0.92	1.5	0.95
Goodwin	M&MF	Friday	-	0.65	-
Henderson Eurotrust	InTr	Tuesday	-	-	-
Isotron	H&H	Friday	1.37	2.57	-
JF Pacific Warrant Co	InCo	Wednesday	-	-	-
Jos Holdings	InTr	Wednesday	1.75	3.9	-
Macro 4	Elec	Thursday	5.14	7.61	-
Multitrust	InTr	Tuesday	1.5	1.0	-
Murray Income Tst	InTr	Tuesday	2.2	4.0	-
Pacific Horizon Inv	InTr	Wednesday	-	0.14	-
Primadonna	InTr	Wednesday	2.0	2.5	-
RCO Holdings	BsSr	Thursday♦	4.62	9.24	-
River & Mercantile Smaller Co.	InTr	Tuesday	1.25	2.85	-
Roxspur	Misc	Thursday	-	-	-
Scottish Inv Tst	InTr	Thursday♦	1.8	3.02	-
SEET	Tex	Friday	-	-	-
Throgmorton Dual Tst	InTr	Wednesday	-	-	1.75
Tottenham Hotspur	H&L	Thursday	-	-	-
TR European Growth Tst	InTr	Tuesday	-	1.35	-
Usher (Frank)	Tex	Thursday	2.0	3.0	-
Waterman Partnership	Misc	Friday	0.5	0.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ♦ = 1st quarter figures. ● = 3rd quarter figures.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

FINANCE AND THE FAMILY

Investment Trusts

The dangers of success

***Philip Coggan** looks at the rise and rise of Fleming Claverhouse*

A TRUST that pays quarterly dividends, aims to invest in UK blue chip shares and has a good long-term performance record might sound just what many private investors are looking for. So it has proved for Fleming Claverhouse. Private investors now own more than 60 per cent of the share capital, compared with 27 per cent in 1985.

Its record places it second (out of eight) trusts in the UK general sector over the 10 years to February 1, with a rise of 576.9 per cent (mid-market to mid-market with net income reinvested, according to *Micropal*). Over five years, growth has been 96.2 per cent, placing the trust third in the sector.

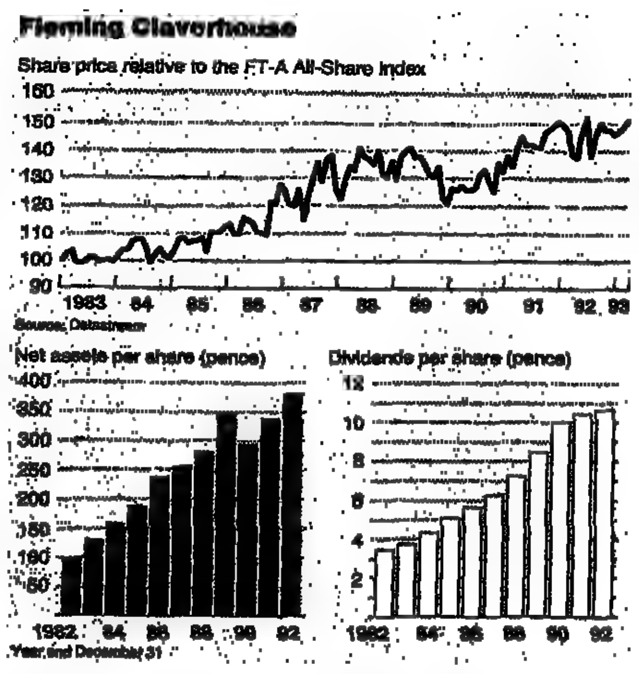
But there are problems associated with success. The shares now stand at a 6 per cent premium to net asset value. This means that those who buy Claverhouse shares are, effectively, paying 106p to get 100p of assets.

There is an element of paradox about this situation. Because private investors have been attracted to the trust, the shares have been pushed to a premium (in short, demand for the shares exceeds supply). But whether all those private investors appreciate the dangers associated with buying shares at a premium is open to question.

If the premium disappears – or, worse, if the shares drop to a substantial discount – then private investors could see the value of their holdings drop sharply, even if the stock market is stable. But if private investors do not realise the danger, the premium could well stay in place.

This is not, of course, a problem unique to Fleming Claverhouse. Like many of the other trusts in the same situation, it has taken power to issue new shares to savings plan-holders. A rights issue could be required at some point.

Claverhouse was founded in 1963 and was named after "Bonnie Dundee," later the 1st Viscount Claverhouse, who led a rebellion against William & Mary in 1689 and was killed at the battle of Killiecrankie. The name was chosen because of management group Robert Fleming's links with Dundee, where the firm had its origins in 1873.



The trust aims to invest in blue chip shares, although this definition includes many medium-sized companies – only 50 per cent of the portfolio is in FT-SE 100 stocks. Claverhouse's 10 largest investments at the end of 1992 contained many names that would be familiar to the private investor: Glaxo, British Gas, NFC, Tate & Lyle, Shell, BT, East Midlands Electricity, Severn Trent Water, Allied-Lyons and Unilever.

In terms of sectors, the portfolio includes shares in the consumer group (38.5 per cent); financials (14.7 per cent); capital goods (10.4 per cent); oil and gas (9 per cent); others (26.8 per cent); and investment trusts (0.6 per cent).

Claverhouse has debenture borrowings of around £15m, equal to gearing of 18 per cent, which it took out in tranches in January 1988 and December 1990. That level of gearing leaves it exposed to downturns in the market, and Claverhouse actually used a put option to hedge its exposure in September 1991.

The trust has been managed for the past two years by 39-year-old Anthony Nutt, who worked previously for TSB Investment Management and broker Foster & Braithwaite. Lewis Aaron of S.G. Warburg Securities, says that the departure of respected former manager John Redwood does not seem to have dented the trust's performance.

In picking stocks, Nutt is able to call on Fleming's 15-strong team of analysts. He says the trust looks for stocks which can provide dividend growth rather than those with a high initial yield. That means it needs an exposure to convertible stocks (now 15 per cent) to push the yield up to 3.6 per cent.

Even so, given the existence of additional plan charges, such a small yield might not seem the most obvious Pep choice for income-seeking investors. But as the graph shows, the trust has a good record for increasing dividends, which have nearly trebled over the past 10 years. And quarterly payments are undoubtedly an attraction.

The trust's long-term performance has undoubtedly benefited from its limited exposure to small company shares, which have suffered over the past few years but may be due for a revival. The share price return has also been bolstered by the move from discount to premium, a factor which cannot now be repeated.

So, the trust will face some interesting challenges over the next few years, some of which have, ironically, been caused by its popularity.

■ **Key facts.**
At the end of 1992, the trust had gross assets of £92m and net assets of £77m. On February 18, it had net assets per share of 375.5p and the shares were trading at 399p, a premium of 6.1 per cent. The yield was 3.6 per cent and the market capitalisation was £80m. Fleming has a two-year management contract, for which the annual fee is 0.5 per cent of assets.

■ **Board.** Fleming Claverhouse has only a four-man board, chaired by Lord Mark Fitzalan Howard, a director of Robert Fleming. The other directors are Sir Timothy Raison, MP for Aylesbury and a former minister of overseas development, John Redwood, a former manager of the trust, and Professor George Stout, a director of XCL Sunrise.

■ **Savings plan and Pep details.** The minimum monthly investment into the savings scheme is £40, and £400 for a lump sum purchase. There is a 1 per cent charge on purchases, with a minimum of £1 and a maximum of £50; on sales, the charge is also 1 per cent, with a minimum of £10 and no maximum.

On Peps, the minimum monthly investment is £100, or £1,000 for a lump sum. The initial charge is 1.5 per cent plus VAT, and there is an annual charge of £25 plus VAT. There is also a dealing charge of 1.75 per cent plus VAT.

Directors' share transactions

THE SALE of shares in financial services group Jupiter Tyndall by chairman John Duffield, deputy chairman John Craig and managing director Michael Heathcoat Amory all took place at 143p. Following these transactions, Duffield and Heathcoat Amory retain sizeable holdings. Craig's sale of 40,000 shares represented almost half his stake.

Shares in Southern Business Group have been performing well over the past year and have risen 20 per cent relative to the market. Following this chairman David McErlain sold more than 700,000 at 134p; he retains almost 3m.

Directors of Lister, the textile group, have been buying since the second half of last year. Most recently, Victor Segal, a non-executive director and Norman Smith, the chairman, bought shares at between 25p and 31.5p. These transactions increased each director's holding substantially.

Angus McDonald, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bradford Prop Trust	Prop	100,000	141	1
Bullough	EngG	75,000	87	2
Cantors	Stor	65,000	118	1
Daily Mail A NV	Med	2,500	196	1
Domino Printing	Elns	5,000	30	1
Huntleigh Technolgy	Hlth	4,000	34	1
Jupiter Tyndall	OthF	790,000	1,130	3
Marks & Spencer	Stor	125,481	420	2*
MFI	Stor	35,000	46	4
ML Laboratories	Hlth	50,000	525	1*
National Power	Elcy	4,900	14	1
Rathbone Bros	OthF	15,000	38	2
RCO Holdings	BuSe	15,000	61	1
Silentnight	Misc	5,000	14	1
Southern Business	Misc	723,566	970	1
Travis Perkins	BdMa	8,000	15	1
Yorklyde	Text	5,000	18	1
PURCHASES				
French Connection	Stor	30,000	11	1
Lister	Text	150,000	46	2
Moss Bros	Stor	16,000	22	2
New City & Com LV*	Reci	31,000	31	3
Osborne & Little	Misc	15,000	11	1
RIT Capital Partnrs	InTr	65,000	73	1
Scottish Mortgage	InTr	5,500	11	1
Shaftesbury	Prop	50,000	29	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value £10,000. Information released by the Stock Exchange 8-12 February 1993.
* Incl Deb & Warrants

Source: Directus Ltd, Edinburgh

Sell-out for BES issue

INVESTORS continued to put tax-shelter money into the business expansion scheme this week. Johnson Fry's N&P Multiple Choice Growth scheme, which raised money to rent out properties repossessed by the National & Provincial building society, raised £50m within 36 hours of opening and is now sold out.

The company intends to follow up with an identical scheme for the Bradford & Bingley building society. This will involve non-recourse loans being offered at the rates of 74p per £1 invested after six months, 78.31p after one year, 87.71p after two years and 98.24p after three years.

There is no fixed repayment price after five years. Minimum investment is £3,000 with a maximum of £25,000.

Close Brothers' BESSA Bristol and West scheme is likely to close on Monday. Its target subscription is £45m.

Another non-recourse loan scheme, St Annes Residences, sponsored by Neill Clerk, will raise money for St Anne's College, Oxford. The six-month loan, underwritten by Barclays, is 73.5p per £1.00 invested.

Several advisers, such as Nick Mercer of Hill Martin, are nervous about the non-recourse loan schemes. They point out that these offers are on favourable terms for the banks.

Although the annualised returns on a non-recourse loan look attractive (Johnson Fry quotes 49.93 per cent over six months), over five years a higher return should be available by leaving the money in a BES company.

Neill Clerk has launched three unusual offerings. Airways III will buy accommodation for the British Airways Housing Association. The association has placed money on deposit so that, after five years, it aims to pay £1.17 for every £1 paid now.

Uncapped Growth is a hybrid, with an undertaking from a property developer to pay £1.25 per £1.00 after five years, although this does not have a full bank guarantee. There is no limit on the upside.

Reversionary Gains IV will buy home reversions from the elderly and aim for a profit.

John Authers

FINANCE AND THE FAMILY

Figures that can bemuse

Scheherazade Daneshkhu investigates the mysteries of APR

MORTGAGE-seekers attracted by an Abbey National advertisement on February 10 for its fixed rate of 5.99 per cent – "our lowest fixed rate ever" – might have wondered what an annual percentage rate (APR) figure of 8.2 per cent was doing alongside it.

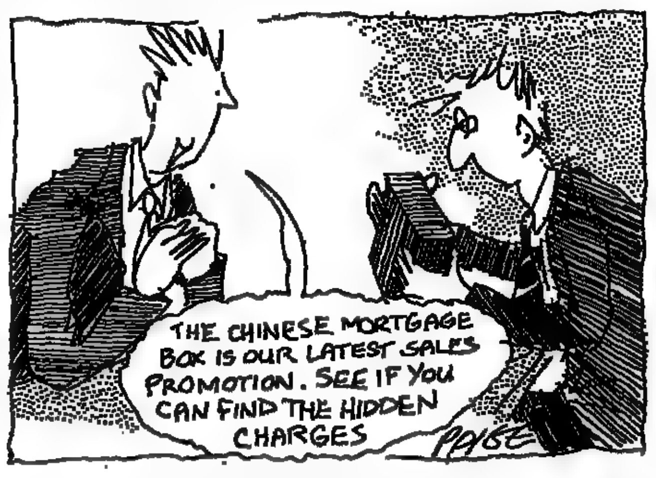
Most people tend to ignore the APR figure which banks and building societies are obliged to quote. But it is meant to reflect the true cost of the mortgage so that customers have a fair basis of comparison.

The mathematical calculation itself is based on a formula set out in the Consumer Credit (Total Charge for Credit) Regulations Act 1980. It takes into account all payments made throughout the life of the mortgage, when they are made and includes a number of the lender's costs. For instance, the Halifax building society's assumed charges on a £50,000 loan, completed on April 16, include:

- Valuation fee of £125.
- Conveyancer's fee of £117.50, which is the legal cost to the lender of arranging the mortgage.
- Mortgage indemnity premium of £500, which is insurance protecting the lender against losses if you were to default. Halifax charges it on loans of more than 75 per cent of the purchase price of the property or valuation, whichever is lower.
- Mortgage discharge fee of £40 and a £15 charge for despatch of the title deeds on repayment of the loan.

If the mortgage was a fixed or capped rate loan, its fee would also be included.

Because these costs are included, the APR will be higher than the quoted rate. Most lenders with a 7.99 per cent variable rate are quoting an APR of 8.5 per cent on a repayment mortgage and a slightly lower rate, 8.3 or 8.4, on an endowment.



Abbey National has an 0.1 percentage point difference between the two types. Abbey's Richard Bolton says this is because, "You are paying down the loan throughout the year with a repayment mortgage. But that is not reflected in our calculations until the year-end, so you are implicitly being charged a slightly higher rate of interest."

Although APRs are meant to make life easier for the consumer, they can be misleading because they are based on a set of assumptions about the size of loan, the time it was taken out, the length of its term and the cost of the charges, all of which are variable. Moreover, assumptions vary from lender to lender. "Our concern is the lack of clarity regarding the assumptions," says Michael Coogan, of the Building Societies Association. "Some members do one thing and some do others. No one understands what the law says."

One thing lenders have done is to assume a fixed rate will apply throughout a 25-year mortgage term, thereby arriving at a much lower APR. But the trading standards department of Devon county council has been active in prosecuting lenders for an abuse of the standards of fair trading.

Bob Imrie, from the trading standards department, says lenders now have accepted that a fair basis on which to calculate the APR is to assume that today's standard variable rate should apply after the fixed-rate period.

The Abbey National fixed-rate loan at 5.99 per cent lasts only until the end of May 1994, leaving more than 23 years at the variable rate. This means the APR on the fixed-rate mortgage is 8.2 per cent, only slightly lower than the 8.4 per cent APR which applies to an endowment mortgage taken out at Abbey's standard rate of 7.99 per cent.

Coogan would like to see lenders follow the practice in Europe and include the cost of a life policy – such as an endowment – in the APR figure.

When you go to a lender for a mortgage, do not be surprised if the APR figure is not quoted. Earlier this year, branches of the National & Provincial, Barnsley, Nationwide, Alliance & Leicester, Bradford & Bingley, Leeds Permanent and Halifax societies all were fined by Doncaster magistrates for giving misleading quotations, which included either failing to quote an APR figure or quoting an incorrect one.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Tax on empty home

MY BROTHER and I own a property jointly as tenants in common. It was the home of our mother, who lived there rent-free. She became ill and in November 1991 had to go permanently into a nursing home.

Her furniture was sold or otherwise disposed-of, so the property has been unfurnished since November 1991. It has been empty and for sale since that date.

1. Community charge. Is there any liability from November 1991 until when the community charge stops on April 1 1993? I have been informed that the standard charge might be levied. Is this correct?

2. Council tax. Is there any liability from April 1 1993? If there is liability, does the six-months-empty property exemption run from April 1 1993? It can hardly start running before the tax comes into being – can it?

■ 1. Community charge. Your mother will have ceased to be subject to the charge on going into residential care, and an adjustment will fall to be made, either by way of refund or by payment of what was due to the date of her ceasing to be resident at the property. You may be liable for the balance of the year at the standard charge.

2. Council tax. You will be liable, as owners of unoccupied property, from April 1 1993. There is no equivalent of the rating exemption for empty property.

Unhappy returns

FOR SEVERAL years, I have submitted my tax return through an accountant. I decided that as my 1992/93 return should be less complicated than previous ones, and accountants' fees had soared, I would submit it myself.

In the past, I have always received notification of my tax code well before the start of the next tax year. This year, though, I got no communication.

I made enquiries by phone and was told the Revenue had received my return, it appeared all right, and my code would be unaltered. They said they could not afford to reply to people in my situation.

Under the circumstances, do I have a right to receive official notification of my code and, equally important, that the details of my return are in order and have been approved?

■ Regulation 9 of the Income Tax (Employments) Regulations 1973, as amended, says: "After the inspector has determined the appropriate code for any year, he shall, if the code so determined is different from the code for the preceding year, give notice of his determination to the employee; provided that no such notice need be given when the change in the code is due to an alteration or alterations in the rates of any of the personal reliefs allowable under section 257 or section 259 of the Income and Corporation Taxes Act 1988 or in the tax tables, but the other matters referred-to in regulation 7 are not different from those for the preceding year."

You have the right to require a formal schedule E assessment to be made for each year, by virtue of section 205(3) of the Taxes Act: "... an assessment shall be made in respect of the income of a person so assessable for any year of assessment if the person assessable requires an assessment to be made by notice given to the inspector within five years from the end of the year of assessment."

This is not a right which you should exercise without forethought: it could, for example, provoke a demand for a modest amount of underpaid tax which would otherwise have been written off as not justifying the expense of making a formal assessment.

IHT and paperwork

SOME WEEKS ago, you printed a letter from an elderly widow headlined "What can I pass on?" in which she asked several questions about inheritance tax.

Could you add a footnote to your answer giving details of the documentation needed when the annual exemptions for IHT are used? Is it in any way similar to the declarations made for CGT?

■ You asked for the necessary documentation regarding annual gifts to utilise the annual exemptions. It is normally sufficient for you to make the gifts together with a covering letter.

For example, if you propose to make the gift utilising the £3,000 annual exemption, you should merely keep a record of the gifts you make and the copy of the covering letter, together with the cheques.

If you wish to make use of the gifts out of income, then it is important to show that the gift is of a regular nature and, therefore, any letter accompanying the gift should state the facts of the case.

For example, if you are to pay an amount each year for the next four years under a deed of covenant, then the covenant form would be evidence of the regular nature of the payment. Alternatively, the letter should state the regular nature if this is what is proposed.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Teachers' BS	Bullion Share	0800 378669	Instant	£500	7.00%♦	½Yly
Britannia	Capital Trust	0800 654456	Postal	£10,000	7.30%	Yly
Teachers' BS	Minster 90	0800 378669	90 Day	£1,000	8.10%	Yly
City & Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%□	Mly
Cheltenham & Glos BS	Best 90	0800 272383	90 Day	£50,000	8.30%	Yly
Newcastle BS	Nova Star VI	091 232 6676	1 Year	£5,000	8.25%	Yly
Chelsea BS	Premier VII	0800 272505	1.8.95	£10,000	9.25%☆	Yly
TESSAs (Tax Free)						
National Counties BS		0372 742211	5 Year	£3,000	8.75%	Yly
Tipton & Coseley BS		021 557 2551	5 Year	£1	8.65%	Yly
Holmesdale BS		0737 245716	5 Year	£1	8.25%	Yly
Britannia BS		0538 399399	5 Year	£8,300	8.00%F	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Citibank	Money Market Plus	0800 555884	Instant	£2,000	5.75%	Mly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	6.60%	Yly
				£25,000	7.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£10,000	7.25%	Yly
				£25,000	7.60%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	6 Month♠	£50,000	8.60%	Yly
GUARANTEED INCOME BONDS (Net)						
Canada Life FN		0707 51122	1 Year	£50,000	5.05%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	5.55%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	6.00%	Yly
Financial Assurance FN		081 367 6000	4 Year	£20,000	6.30%	Yly
Financial Assurance FN		081 367 6000	5 Year	£50,000	6.75%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ☆ = Rate fixed only until 1.7.93. □ = Rate guaranteed until 1.5.93. ♠ = After 6 month qualifying period. ♦ = Rate guaranteed until at least 1.4.93

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

Beware of the IHT trap when selling your home

*You can end up paying tax at 40 per cent, says **Caroline Garnham***

YOUR HOME might be special to you and your family but that does not make it exempt from inheritance tax. And although the excitement has gone out of the housing market, you might still need to consider what, if anything, can be done to mitigate this swingeing levy.

The first thing is to add up your net worth. If it is below £150,000 and you have not made substantial gifts within the previous seven years, your estate is likely to escape IHT. But if it is worth more than £150,000 when you die, IHT at 40 per cent must be paid on the excess.

The next thing to consider is whether you mind paying this. There is an exemption for gifts between husband and wife, so IHT need be paid only when the surviving spouse dies. And there are many who prefer not to leave substantial sums to their children for fear of spoiling them; thus, they accept paying whatever tax is due.

The third thing to appreciate is that in order to mitigate IHT there will, at some time, need to be co-owners. Whereas co-ownership between husband and wife does not usually cause problems, the same is not true where the ownership is split between parent and child.

If, say, a parent wanted to move to a smaller house and sell the property, the child might insist on being paid his share – in which case, the parent could be left with too little money to re-invest in another property. There is also the risk of the child's interest being brought into account if he gets divorced or made bankrupt.

IHT, however, is not payable only when you die. It is also chargeable on substantial gifts made within seven years of your death, and on all assets which you no longer own but continue to enjoy. Suppose you give your house, worth £300,000, to your two children and continue to live there. When you die, its value will be added to your estate and IHT charged on it.

If your children sell the house after your death, they will have to pay capital gains tax on any increase in the property's value since you gave it to them (assuming the house is not their main or only residence). Your tax planning will, therefore, result in an increase in the total payable rather than a saving.

Just because you can be taxed on gifts you continue to enjoy does not mean you cannot save tax on your home. But the schemes under which you can do so are complicated.

If, for instance, you are fairly certain that you will not live as long as your spouse, you can create a will trust giving them a revocable life interest. When you die, the trustees then exercise their power of revocation over 90 per cent of the value of your house in favour of your children.

In this way, it is possible to save IHT and CGT – so long as your spouse survives you by seven years and continues to use the house as a main or only residence.

The only drawback here is that the spouse cannot be a trustee and might object to having so little control over the family home after your death. You could also find that the trustees want indemnities from the children if the surviving spouse is not to be charged rent for occupying the 90 per cent owned by the trustees on their behalf.

If you have children but do not have a spouse (for whatever reason), solving the problem of IHT on your main and only residence is a little more complicated.

It is possible to carve out a lease for yourself on the property and give away your remaining rights in it to the children as a reversion – subject to the lease. It would be structured so that its value would fall within the IHT nil rate band (up to £150,000); thus, no tax would be due when you die.

In the meantime, the longer you survived, the more the value of the reversion would increase. Although theoretically straightforward, this scheme has difficulties. One is that the gift of the reversion could be taxed if you died within seven years.

It is not possible to grant a lease to yourself without an elaborate legal structure; but even if you do, beware of falling into the tempting trap of granting yourself such a lease for life – a move that would bring the value of the property back into your estate.

This means you must have a fixed term, which raises the problems of either outliving your lease or dying too soon. All these and other difficulties are not insurmountable, but this scheme is not for the faint-hearted nor the foolish.

There are other ways to mitigate IHT on your main or only residence, but I know of none that is either straightforward or certain because of the complexity of IHT and CGT laws. Thus, many people decline to carry out any IHT mitigation scheme using their own home unless enough tax is at stake to make it worthwhile taking good advice to steer them through the complications.

■ *Caroline Garnham is a tax and trusts specialist at City solicitor Simmons & Simmons. This is the second of three articles on tax and your home.*

Ombudsman faces battle

DISCORD between the insurance companies and Dr Julian Farrand, the ombudsman they sponsor – voluntarily – is expected to increase on Tuesday when he releases his latest annual report. For the first time in the 12 years of the scheme, the report has not been submitted for comment, and possible amendment, to the board of insurance company delegates which determines financing of the ombudsman's bureau.

Farrand said this week he had dispensed with this consultation, and had also given the council of consumer representatives less time to mull over the draft, so that publication could be brought forward by about a month.

He declined to discuss the contents but the publication notice from the bureau sets out particular issues examined, with "Questions over his Jurisdiction" heading the list. Almost certainly, this relates partly to a dispute over Farrand's authority to handle complaints about home income plans.

Last year, bureau spokesman Peter Tyldesley revealed that one insurance company had rejected Farrand's matter-of-form request for permission to review a home income plan case. Tyldesley said at the time that this would not stop the ombudsman dealing with it. Since the new year, however, lawyers engaged on home income plan cases say a company has sought counsel's opinion on whether the ombudsman has the power to deal with these.

The company is now believed to be thinking of sueing him, having apparently received backing from counsel for its view that the ombudsman has no jurisdiction over mortgages and, therefore, none over the mortgage/investment bond package making up a home income plan.

While the ombudsman is on record as conceding that he has no jurisdiction over mortgages, he has always maintained that if the tied agent of an insurance company is selling an investment closely wrapped up with a mortgage, the company should be responsible for all of it.

This is not the first time Farrand has clashed with companies. In an article written last year for the insurance trade publication *Post Magazine*, he quoted extracts from letters written by sore losers.

One unnamed company accused him repeatedly of unfairness, writing: "I have received your letter of . . . I will not thank you for this as it merely reinforces my view that you seem determined to treat us unfairly on this case . . ."

Coinciding with this latest probable conflict between Farrand and at least one member company is a change in the chairmanship of the board of insurance company delegates. Tom Roberts, who retired from General Accident at the end of 1992, will continue as chairman until June. But the person originally identified as his successor has withdrawn, according to board secretary Michael Briggs.

Briggs said that the candidate's withdrawal was due to an unexpectedly heavy workload, and stressed there was no question of any potential conflict with the ombudsman.

He added that possible disputes between a company and the ombudsman would not affect considerations on who should become chairman. "It would be the person who would be nominated, not the company," he said.

Barbara Ellis

FINANCE AND THE FAMILY

All the news fit to hear

THE VOICE from my bedside radio informed me: "Wedding-related stocks seem likely to rise." It was 5.45 am and the report came from Tokyo, where the engagement of Japan's crown prince had just been announced. I had discovered *Dawn Traders*, the 5.30-6 am weekday financial news programme on the London radio station LBC.

There followed, in an intriguing variety of accents, the latest market reports direct from Hong Kong, Singapore, Australia – with footnotes on the "Kiwi dollar" – New York and, in a suitably sepulchral voice, the latest on crude oil stocks and the prospects for the oil price from Chicago.

Not so long ago, business and financial programmes were rare on the air. Now, they stream from our television and radio sets round the clock, offering much of value to the alert private investor.

Hard on the heels of *Dawn Traders* now comes BBC1's substantial and wide-ranging *Business Breakfast*. A recent report on America's way off-shore island Puerto Rico, the "pharmaceutical capital of the world," was a revelation.

An earlier programme illustrated sharply the problems the European common market may bring to at least some branches of British industry by interviewing a veteran Midlands flower-grower, obliged to turn to poinsettias (because they do not travel well) while his Dutch competitors' flower-laden lorries were radiating all over Europe.

The advantage of television is that it offers the big close-up. Investors who prefer the testimony of eyes and lips to faceless statistical "indicators" will welcome the programme's Tamworth Barometer in which manufacturers, retailers and others from this sample town in Staffordshire are interviewed *in situ* on how things are going.

No sooner have the last crumbs of the *Business Breakfast* been swept away than, for Greater Londoners, LBC is back shortly after 6 with the first company results and market indexes of the day, repeated at hourly intervals with the odd "share on the move" and the prices of what they call "the top 20" at 9.30 am and 4.30 pm. This leads to a round-up of the day around 6.35 pm.

Listeners to BBC Radio Four, presumably excused *Dawn Traders*, have to wait for their 15-minute *Financial World Tonight* until the advanced hour of 9.45.

The most useful feature of these evening round-ups is that, quite often, company chairmen or directors offer themselves for cross-examination when their annual results are announced.

The questions are more pointed than at most AGMs and, in the intimacy of the studio, the voice gives away more than it says. You can pick out the men committed to their jobs. The enthusiasm of Whitbread's chief executive over the brewer's catering innovations was obvious in an LBC interview.

On *Financial World Tonight*, shareholders in Airtours or Owners Abroad were able to hear both Airtours' chairman, David Crossland, and the retired package holiday champion, Harry Goodman, on the very eve of the bid that made so many headlines. Goodman pronounced the deal "dangerous" for competition but said he admired Crossland for making it and would have done the same.

Sunday has long been the day for BBC TV's old flagship, the *Money Programme*: 40 minutes, two or three topical items, and an economist talking head. Investors in locomotive engineers and train-makers no doubt took note recently when, in a report on privatisation plans for British Rail, they learned – from the horse's mouth – that these could well kill train manufacturing in the UK.

ITV's rival *Sunday City* programme was scuppered by the management. But Channel 4 has produced a worthy Sunday rival in *High Interest*: 45 minutes devoted to a single subject, which gives great advantages in comprehensiveness and quality. A recent programme on the big three supermarket companies – Sainsbury's, Safeway and Tesco – amounted to a managerial seminar on this massive and central industry.

Chairman David Sainsbury, standing in one of his supermarkets, explained frankly their shadow-boxing techniques. "We watch each other like hawks, and the speed of response is such that no one is very much out of line."

But although he told us that market saturation would not come before the end of the century, the plans of the three giants seemed relentless and it was not difficult to agree with the analyst who warned that now was not the time to buy supermarket shares.

The week that opens with *Dawn Traders* ends at 11.25 on Friday nights with Radio Four's *The Financial Week* in which Heather Paton, rising high above the market chatter, coolly consults two or three or four economists, analysts, bankers or financial journalists (they are always "distinguished").

This is a programme that should carry a mental health warning. The private investor who over-indulges in it might never again be able to make any decision on whether to buy or sell.

Harry Hopkins

CGT allowances

THE TABLE shows capital gains tax (CGT) allowances for assets sold in January. To use it, multiply the original cost of the asset for the figure shown for the month in which you bought it.

If you subtract the result from the proceeds of your sale, the result will be your taxable gain or loss.

Suppose that you bought some shares for £7,000 in February 1983 and sold them in January 1993 for £17,000. Multiplying the original cost by the February 1983 figure of 1.662 gives a total of £11,634.

Subtracting that from the proceeds of £17,000 gives a capital gain of £5,366, which is below the 1992-93 CGT allowance of £5,800. If you realised no other gains during the year, the profits should be tax-free.

If you sell shares bought before April 6 1982, you should use the March 1982 figure. The RPI in January was 137.9.

CGT INDEXATION ALLOWANCES: JANUARY

Month	1982	1983	1984	1985	1986	1987
January	-	1.669	1.588	1.512	1.433	1.379
February	-	1.662	1.581	1.500	1.427	1.374
March	1.736	1.659	1.576	1.486	1.426	1.371
April	1.702	1.636	1.558	1.455	1.412	1.355
May	1.689	1.629	1.550	1.448	1.409	1.353
June	1.685	1.625	1.546	1.445	1.410	1.353
July	1.684	1.617	1.546	1.448	1.414	1.355
August	1.684	1.610	1.533	1.444	1.410	1.351
September	1.685	1.602	1.530	1.445	1.403	1.347
October	1.676	1.597	1.521	1.443	1.401	1.340
November	1.668	1.591	1.516	1.438	1.389	1.334
December	1.671	1.587	1.517	1.438	1.384	1.335

Month	1988	1989	1990	1991	1992
January	1.335	1.242	1.154	1.059	1.017
February	1.330	1.233	1.147	1.053	1.012
March	1.325	1.228	1.136	1.049	1.009
April	1.303	1.206	1.102	1.036	1.000
May	1.296	1.199	1.093	1.033	1.000
June	1.294	1.195	1.088	1.028	1.000
July	1.292	1.194	1.088	1.031	1.000
August	1.276	1.191	1.077	1.028	1.000
September	1.272	1.183	1.067	1.025	1.000
October	1.259	1.174	1.058	1.021	1.000
November	1.254	1.164	1.061	1.017	1.000
December	1.250	1.161	1.062	1.016	1.000

Source: Inland Revenue

MINDING YOUR OWN BUSINESS

Trevor Humphries

A profit on the books: David Campbell (left) publisher and managing director of David Campbell Publishing and partner Mark Bicknell

A classic strategy

Nick Garnett on the publisher which revived Everyman's Library

ABOVE A pornographic magazine shop in London's Soho, one of the most startling publishing stories of recent years has unfolded, to the surprise of the publishing establishment.

Three men have spent little more than two years resurrecting the nearly defunct Everyman series of hardback classics. In the process they have created a substantial market in the US, introduced the newly-designed tomes into almost every good bookshop in the uk and, from scratch, sold 750,000 volumes in spite of the worst retail conditions for 20 years.

In the first nine months of trading, David Campbell Publishers, new owners of the Everyman's Library with its hard back rights to 1,200 titles, racked up a turnover of £2.4m. It surprised itself by making a pre-tax profit, one of £120,000. For the current year to July, the tiny company is on course to make £500,000 pre-tax on sales of £3.9m.

"Everyman, I will go with thee and be thy guide" is scrolled into every one of the 60m books published in Everyman's Library since production started in 1906. The problem was that the company lost its guide some time in the 1940s. In spite of owning rights to a vast range of works from translations of Aristotle to Conrad and Dickens, the company fell into decline. During the 1980s it changed hands twice, ending up in the Weidenfeld & Nicolson stable and with a yearly turnover of only a few hundred thousand pounds.

"I had been tracking it for a long time," says David Campbell, who was then a senior manager at the Hachette publishing company in France. "I could never understand why there was no hardback series of the world's greatest books in English. There is even one in Norwegian for goodness sake! Everyman was a great brand name and brand names are very rare in publishing. It was also a good business idea."

That idea was to produce high quality hardbacks, cloth bound rather than glued and with acid free paper that would not brown. "I thought that if we could produce such books for only a few pounds more than a paper back we'd have a market." The target was the gift trade and readers who wanted affordable books in "permanent" form.

Campbell spent three years trying to raise the cash. In 1990, the venture capital arm of merchant bank Robert Fleming provided capital of more than £1m to cover the (much lower cost) purchase price and working capital. For this the bank obtained a quarter stake in the new company. The bulk of the shareholding is held by Campbell, Mark Bicknell, a 38-year-old former investment banker, and Alewyn Birch, a man with a long career in publishing. Campbell and Bicknell, who run the company, together put in a little over £100,000.

"That's enough to hurt but not to take the roof away," says Bicknell.

After the purchase it took a year to get the business running. Some of this time was taken signing up a printer – Bertelsmann of Germany which produces all the new Everyman books (retailing at £7 to £16 and averaging £10) – and Random House, the US publishers, which handles all marketing and distribution.

"You can be well managed, inventive and quick on your feet but no matter how clever you are you need firepower and small companies don't have firepower," says Campbell.

"We were very fortunate that the US deal provides up front cash flow," says Bicknell. "That gave enormous comfort to our printers." On each print run the little company is paid in advance about one third of what it is eventually due.

David Campbell Publishers operates with small overheads, paying £18,000 a year for a three storey office in Soho and employing just four full time staff. Currency movements have made a large contribution to profits. The rise of the D-mark against the pound has not been beneficial but the strengthening of the dollar has generated a windfall.

"We bought the company when it was $1.60 to the £1," says Bicknell. "It then went to $1.90 and is now down to just over $1.40. If it had stayed at $1.90 making a profit would have proved very difficult. We are making a margin of 5 per cent and currency movements could wipe that out. I spend an hour a day talking to foreign exchange dealers."

The company's success nevertheless reflects its publishing nous. Of the 128 titles so far printed, 40 were not in the Everyman stable.

"Of the 1,200 titles we could plunder a good quarter we would not want to publish," says Campbell. Not surprising perhaps when they include obscurities such as F W Robertson's *Sermons on Christian Doctrine* or *The Channings* by Mrs Henry Wood. Instead Cambell has been buying hardback reprint rights to 20th-century authors outside the Everyman stable, including Orwell and Hemingway.

The company has also launched a series of children's books. "I thought there was a market for proper reading books with nice illustrations." *Alice in Wonderland* in smart, heavy duty binding sells for £7. *Treasure Island* comes with drawings by Mervyn Peake.

The company has relaunched and repackaged a publication called *Your Birthday*, 80 pages of historical events and famous birthdays – now being published by W H Smith. Everyman hopes the little books, retailing at £3, will prove a cash cow. The company has also acquired the English language rights to a new travel series by a French publishing house, the books containing up to 2,000 illustrations in seven colours.

One trend that has helped is a readership swing towards the classics. "I think one reason is that there are 125,000 new titles in the English language every year and that is far too many. Booksellers are all clogged up and the man on the Clapham omnibus doesn't know what to take."

One consequence is what has been termed the classics wars. Other publishers are churning out volumes at a rapid rate of knots though all of these, from Penguin to World Classics and Oxford are in paperback. One publisher, Wordsworth, sells its paperback classics for £1.

Some in the publishing industry who thought Campbell was mad to buy Everyman think Campbell could catch a cold from these new low-cost books. He dismisses the suggestion. "We have no competition. Wordsworth will hurt Penguin. The more razzamataz in the market for classics the better."

■ *Everyman's Library, Random Century House, 20 Vauxhall Bridge Road, London SW1V 2SA. 071 – 973 – 9000*

As They Say in Europe

Power to the people – a heated debate

James Morgan on France's generation gap

LOOKING out at Germany from an aeroplane as I did on Tuesday I was struck by its size – a mere two-thirds that of France with some 20m more people. It has borders with nine other countries. No wonder things get a bit heated down there.

This reflection was provoked by the memory that it was three years to the day that I had attended a somewhat tense event which confirmed to me that the removal of the Berlin Wall was not going to do much good.

In February 1990, I went to a student meeting that turned rowdy in what was still East Berlin to listen to lectures on the "social market economy". The West German government had shipped in lavish pamphlets and politicians whose job it was to demonstrate the delights that awaited the hitherto luckless locals. It would take six months or a year to get things right, people would fall into the new jobs in the service sector and with their high wages and new deutschemarks at one-to-one, the old GDR would boom. The students rightly did not believe it.

A couple of months later my employers arranged a seminar on the new Germany where I said the whole thing would be a complete bust and eastern Germany would be a burden to the west, and everybody else, until about 2010.

I mention this not because it demonstrates any great forecasting gifts, but because it was obvious to anybody who spent a few days in the country asking people how it worked and finding out that it did not. At the Lindenhof restaurant on Leninstrasse in the Calcutta-style industrial centre of Bitterfeld I asked for a menu at one o'clock and the waitress said, "Not now. We're having our lunch."

Sitting above Europe at this moment I thought I would have a look at the shape of another ghastly thing to come.

In Britain there has been a huge public debate on energy policy. This has touched on the question of French nuclear power which is cheap and when imported into Britain leads to the closure of coalmines. But one interesting thing that emerged from the privatisation of power generation in Britain was that it was impossible to sell nuclear plants to investors because the discounted costs of owning a nuclear plant were greater than the income to be derived from them. In other words, nuclear power is uneconomic and the plants are worthless because of the decommissioning costs.

So today Britain has to subsidise its nuclear power in order to sell any. Since there is such a subsidy to domestic supplies, it has to be granted to already cheap French power as well – European Community rules permit no discrimination. (The consequent closure of British coalmines is deplored by large numbers of worthy people who only six months before were demanding that the British government take the initiative at the Rio Summit on the environment by demanding the elimination of greenhouse gasses. Such are the penalties of living in a country where public policy debate is ubiquitous, unceasing and uninformed.)

'Why is it that British nuclear power is too expensive while the French is too cheap?'

No energy economist has explained to the British public why it is that their nuclear power is too expensive while the French is too cheap. The answer could provide the clue to the next European economic disaster.

France relies on nuclear plants for three-quarters of its power generation. This has happened because France is the one working command economy the world has seen. It is organised by graduates of the so-called *grandes écoles*. They are brilliant, they possess technical skills of the highest order, they think the same way and they control almost everything. It may sound like a recipe for disaster but the system has worked wonders. Nemesis may emerge in the nuclear power industry where, I assume, electricity is produced cheaply because decommissioning costs have not been included in the price structure.

The 80-odd nuclear power stations were built by Electricité de France on borrowed money. The debt stands at FFr195bn (More than £24bn). The worry is not that there will be a Chernobyl, but that there will be a rumour of one, or something will go a little bit wrong. That would cause hysterics in Germany or Switzerland and even make some Frenchmen doubt the perfection of the original choice.

If that happens many will wonder about EdeF debt, which is backed by the state, and think seriously about an investment that cost zillions and might have to be decommissioned and replaced at a cost of tens of zillions. There will be meltdown problem, not nuclear but financial.

Maybe there is a simple answer as to why the economics of the French nuclear power industry are totally different from those of the British but nobody has told me. I tried on several occasions to talk to someone at EdeF about this but nobody answered the phone.

■ *James Morgan is economics correspondent of the BBC World Service.*

Gold rush in Eden

From Page I

have tried to tell the whites but they don't listen."

To Possuelo's surprise, Franco *did* listen and agreed to a $2m (£1.4m) operation to remove the *garimperios*.

In the Funai office in Boa Vista, the capital of Roraima, Wilk Celio, the co-ordinator of the removal programme, is sceptical. "It's useless – the *garimpeiros* will keep going back. There are 100 *garimpeiro* planes operating in this area while we don't have one. The only answer is constant monitoring and that means funds. Last year, we didn't get a cent." His colleague, Manoel Reginaldo Tavares, gestures at a wall map of the state showing the location of its 24,970 Indians of eight different tribes, and laughs. "Our resources are not even enough to run a crèche of 100 children, let alone 25,000 Indians."

Tension is high in Boa Vista. Roraima state depends on federal handouts but would be rich if allowed access to its minerals. The population has tripled to 230,000 in 10 years because of the influx of *garimpeiros*, and not just from Brazil. A Londoner has just arrived from Mile End and a Scot, John Boyle, runs the Bay Bar and nightclub after eight years as a *garimpeiro*.

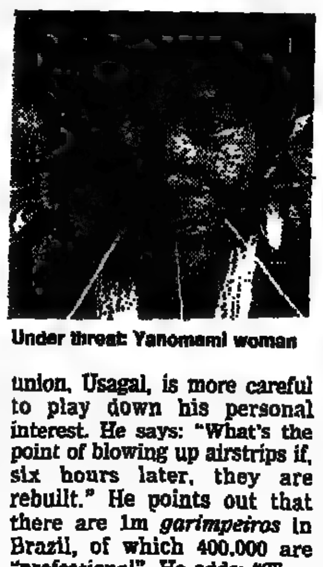
Prices are in grammes of gold, and everyone seems to have a stake in the *garimpeiro*-Yanomami struggle. The headlines in the local papers are about murders. People mutter of mafia-like activities and aid workers tell of pet dogs slaughtered in their gardens. Celio gets constant threats and lives between his office and hotel. "I'm a prisoner," he says, and talks of going on holiday and not coming back.

The centrepiece of the giant main square is an enormous concrete statue of a *garimpeiro*. This is overlooked by the state assembly, where all 24 members are against demarcation, and the governor's palace. His spokesman, Francisco Netto, says: "The federal government can keep on spending more and more but will never succeed in taking out the *garimpeiros*. The only answer is to create mining reserves and allow in companies so that we can collect taxes."

Elton Rohmelt, the head of the state energy department, has no doubt that day will come. He is one of the main *garimpeiro* bosses, with a fleet of four 'planes and a helicopter. Rohmelt says: "No one knows the Amazon better than me." He is so fat that his jowls quiver as he speaks and the buttons strain on the patterned shirts he buys in London. Rohmelt decided to lie low when Collor took office. "I saw he was mad, so I took up the governor's invitation to run the state energy department."

He is using his position to put in place the infrastructure for his future mining operations. Here a hydro-electric project, there a road to Venezuela and the port. His company, Goldmazon, has more than 60 claims in the Yanomami areas. He says: "Refusing access to this is a crime for a poor country like us. I'm absolutely sure that, within the next few years, mining in Yanomami areas will be allowed – and I'm ready."

His great rival, the ebullient Ze Altino, a media-loving representative of the *garimpeiros'*



Under threat: Yanomami woman

union, Usagal, is more careful to play down his personal interest. He says: "What's the point of blowing up airstrips if, six hours later, they are rebuilt." He points out that there are 1m *garimpeiros* in Brazil, of which 400,000 are "professional". He adds: "They say *garimpeiros* are illegal, but there are more *garimpeiros* in indigenous areas than there are Indians in Brazil. Don't they have rights, too?"

Haroldo Eurico dos Santos, the state planning secretary, is a former professor who used to advise governments to burn down the Amazon. He is busy drawing up mega-plans for Brazil's poorest state.

Above the noise from roaring, clanking pipes, he shouts: "This state is basically unviable. We generate only 16 per cent of our expenditure and our only potential economic base is either demarcated or will be. Ninety-nine per cent of the population are against demarcation. The only ones in favour are the church, communists and some Indians."

The most vitriolic opposition is on Rua do Ouro (Gold Street). There, many of the gold shops are boarded up, the stores full of mining utensils deserted, and clutches of *garimpeiros* sit miserably at bars, biding their time, comparing the number of times each has had malaria (one man has had 34 bouts). They recall the days when they could make a good living just from the end-of-day sweepings outside the gold shops.

Most of the gold is smuggled out of the state to avoid taxes, so figures for the amount produced are vague. According to Altino, production reached 13 tonnes in the peak year of 1990, plus 500,000 kilos of diamonds. Even then, few got rich apart from the bosses, the Rohmelts and Altinos, who run airstrips, planes, bars, brothels, and rent machinery at inflated prices.

In Gold Street, the blame for the latest crackdown is laid on everyone from the Americans ("they are scared of Brazil becoming a great power") to the padres for their defence of Indian rights. So unpopular is Dom Aldo, the bishop, that a petition was mounted last year to get him out. One man told me: "I'd like to have his kidneys on a barbecue fork."

After 17 years in Boa Vista and overseeing a Yanomami mission, the fire seems to have gone out of Dom Aldo. Wearily, he tells me: "People say we are working for gold or trying to create another nation, but that's a lie. Nor are we trying to convert them [the Indians]. They don't yet have the terminology for catechism, so it's very hard to explain our Christian concepts.

"People get angry because we tell the Indians their rights. It's a war between economic interests and human rights in a country where the powerful always win."

Among so many voices, the only ones not to be heard are the Yanomami. Experience from other tribes suggests that Indians are keen to have the badges of progress such as televisions, speedboats and ghettoblasters. Some of the more acculturated Amazonian tribes, such as the Kayapo and Xingu, have organised and demand royalties for prospecting in their areas. But along the river Branco from Boa Vista, at Fazenda Sao Marco, a community of Macuxi Indians lives in pitiful squalor. White contact has robbed them of their old ways without equipping them to find a substitute. For the primitive Yanomami, the future looks bleak.

Olympics

An Olympian who is playing for more than a pile of gold

***Keith Wheatley** meets sports power-broker Craig Reedie*

Head of the club: Craig Reedie, the chairman of the British Olympic Association, relaxes by playing non-Olympic sport

SOMETHING strange is happening around Manchester. Craig Reedie, the new head of the British Olympic Association, has been repeatedly caught in full vocal and physical support of the odd notion that Britain, and this northern city in particular, should host the Olympic Games in 2000. He is well aware that such muscular advocacy is hardly the recent heritage of the BOA.

"I was always more committed to the Manchester bid than my predecessors," says the chatty Scotsman who became chairman last autumn. His election was a signal to the sporting world that the BOA intended to punch its weight and cease being just a quadrennial umbrella for sporting toffs.

Reedie has ended Britain's carping isolation from the International Olympic Committee's base in Lausanne. Juan Antonio Samaranch, the IOC's autocratic but effective head, no longer has cause to feel that Britain is a sniper's base for those who lament the involvement of the Olympics in big money and big business.

"One might not like everything about it but you're either on the train or off it, and I intend that Britain stays on it," says Reedie, 58, a partner in a Renfrewshire pensions consultancy.

He is a consummate sports politician, with a lifetime of international contacts garnered in the service of the international badminton federation (he was no mean competitor and as a golfer plays off a one handicap).

Recently, the Princess Royal paid a private visit to Manchester in her capacity as BOA president and an active supporter of the 2000 bid. She is notoriously not the easiest of companions, but she was in chatty good humour as she bantered with Reedie on a coach ride through the various Manchester building sites that may become venues.

The Princess is one of the 92 IOC members who will vote in Monaco on September 23 on the city to hold the millennium Games. Few know this quirky, independent and idiosyncratic electorate as well as the Princess and Reedie. Their joint analysis of what the IOC wants from a candidate city is proving invaluable to Manchester's indefatigable bid chairman Bob Scott. What, for example, is likely to be the extent of any moral opposition to the Beijing bid, currently seen as favourite to win?

"You can gauge the IOC's stance on human rights and moral nuance pretty accurately by the fact that over half of them attended the Asian Games in Beijing, less than a year after Tiananmen Square," predicts Reedie. "I just don't think it will be an issue."

If it isn't, that will notbe the fault of the other front-running candidate, Sydney. Phrases such as "mopping up the blood of the massacred with the Olympic flag," have been heard from the Australian bid chairman. "It's a startling phrase but I wouldn't want you to hear it from my lips," said Scott.

Worries that the British bid would founder if it were seen as the Bob Scott roadshow – certainly a weakness of the 1996 bid – have been assuaged by the arrival of Reedie. The third member of the new "Bob 'n' Craig 'n' John" triumvirate is even more powerful if only because he holds the nation's cheque book.

Since mid-1992, John Major, the prime minister, has become a central player in the Manchester bid. Wednesday's Downing Street news conference announced a total of £75m towards stadia and infrastructure. This represents, according to the Department of the Environment's Jeff Jacobs "by far the biggest single city urban regeneration package Britain has ever seen".

Major has done far more than simply order the Treasury to pay up. He visited the Barcelona Olympics, showing an unprecedented interest in sport for a British prime minister. Next month he goes to Lausanne to spend two days with Samaranch at whose court Major's name is spoken with increasing warmth. Samaranch, according to Reedie, has told intimates that a British government-backed bid is a serious play. Margaret Thatcher never more than tolerated Scott and his audacious plans.

An even bigger coup would be to have the "Bob 'n' Craig 'n' John" show make the final presentation to the IOC election meeting in September. No one is discounting the likelihood of that. After the magic of Barcelona and the oomph it gave to the entire Spanish-speaking world, it would be a brave Prime Minister who did not attempt to break the gloom of the recession by trying to bring the Olympic circus to Britain.

This involvement of Downing Street could have even bigger and more tangible pay-offs for Reedie and British sport in general. The Olympic bid is an interesting long shot that may, or may not, come off.

What is certain is the desperate need for structural reform within the grant-receiving bureaucracy of British sport. Hands up those who comprehend the different roles of the Sports Council (in all its regional and sub-national guises) and the Central Council for Physical Recreation, umbrella of the governing bodies. Their powers overlap and this has caused endless confusion, even among sports officials, and bitter battles. Reedie has long been impatient for change and he has now got his vehicle alongside the politician who could provide it. As a self-professed sports fanatic, Major's eyes will not glaze over when the subject comes up.

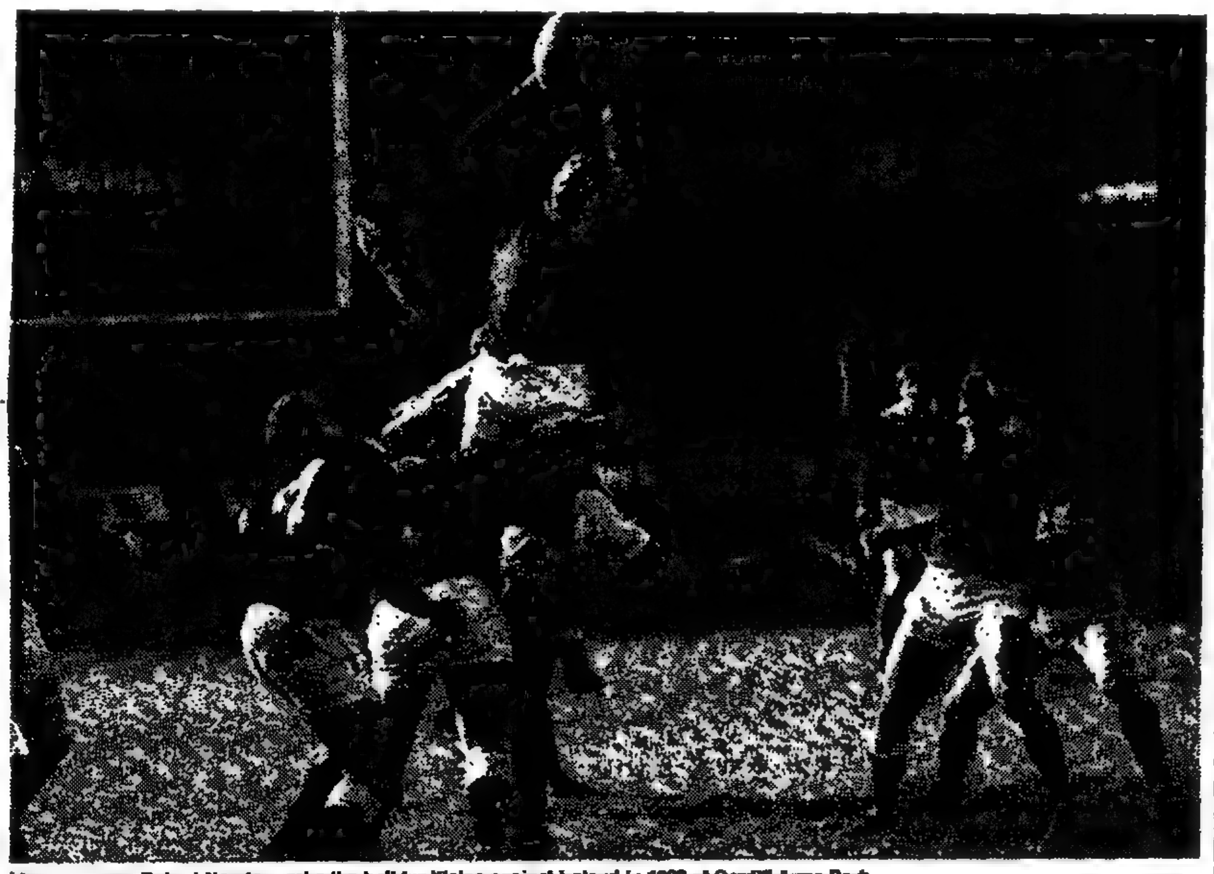
"We are the only independently funded body among the ones you're discussing and it can be an advantage when one gets into these sorts of debates about long-term structure," says Reedie.

In each Olympic cycle the BOA goes out and raises its own funds in a strong, businesslike way. It has bred a sturdy culture distinct from the hand-out dependent operations of the Sports Council and the CCPR.

Of course, budgets of the size wielded by the Sports Council – approaching £200m a year – are quite different from the £5m or so the BOA spends in an Olympic year. Nevertheless, with the national lottery about to start disgorging huge sums for sport, Whitehall is known to be looking around for new role models.

Rugby Union/**John Hopkins**

Awkward Norster puts his expertise on the line



Line manager: Robert Norster grabs the ball for Wales against Ireland in 1983 at Cardiff Arms Park

THE LION-HEARTED defence by Wales in their Five Nations rugby union victory over England two weeks ago has overshadowed one important aspect of the game. The Welsh line-out work was superb. A supposed weakness was turned into a strength.

This was a surprise, to put it mildly. Not long ago, Wales won only two line-outs in an entire game against Australia, prompting one journalist to write: "... in the first half Wales won a line-out and in the second-half, just to prove it was no fluke, they won another."

The improvement is due mainly to Robert Norster, the Welsh team manager who was one of the most effective line-out forwards in Europe during the 1980s. He was awkward and thoughtful, determined and courageous, and these characteristics helped him overcome a lack of inches. He is 6ft 5in and Wade Dooley, England's big lock, is 6ft 8in – yet, in their meetings, it was always Norster who came off better. Now he is passing on to his team what he learned then.

The key to Norster's success as a player, and Wales' line-out performance against England, is attention to detail. "The line-out is a team performance," he says. "It is not just about who jumps highest. You need a bit of skill, accuracy and team-work. You have to work as a team, and we did. I am happy to say that we won more than 80 per cent of our own ball against England."

There is much preparation before Wales play an international these days. The technical department of the Welsh Rugby Union records each of their team's games and those of future opponents. (A camera will be at Lansdowne Road in Dublin this afternoon filming Ireland against France, to help Wales prepare for their remaining matches in the Five Nations championship). Then, sections of each match are compiled and sent to the players concerned.

Before the England game, the Welsh line-out forwards were sent clips of England's line-out performances against Canada, South Africa and France earlier this season. Then, at practice, Norster urged them constantly to try new techniques and refine old ones.

He stressed variety and surprise. He made them rehearse their line-out calls, routines and support systems. The result was that Gareth Llewellyn, the big Neath lock, had his best game yet in the line-out for Wales and fellow-lock Tony Copsey turned in a good performance, too.

It was typical Norster, who says self-mockingly: "Even my friends would say I am a bit over-regimented." Derek Quinnell, the former British Lion who now manages the Wales A team, adds: "As a second-row forward, Bob was forever organising people around him so that he could give of his best. He would analyse his opponents and work out how best to counter them.

"He would sometimes make his opponents move forward to compete with him for a ball, and sometimes make them go back. His style was to stand out of the line-out and leap into it. He was very agile for a big man, spring-heeled, a genuine leaper."

Norster grew up in a hard school. Born in Ebbw Vale in 1957, his first rugby experiences were with Abertillery; and he joined the famous Cardiff club in 1978, the year after he became a member of the Welsh national squad. Norster did for his country in the '80s what another Lion, Delme Thomas, had done in the '60s and '70s. Both won priceless line-out ball, often against bigger and stronger men. In theory, neither was quite tall enough; but they made up in technique what they lacked in physique. Both recorded outstanding Sargent jumps, the method used to measure a standing jump.

As he developed, Norster acquired an uncompromising hardness. He needed it in New Zealand when he played in two Tests for the Lions in 1983, and again in one Test against Australia's Wallabies in 1989, as well as in 34 internationals for Wales between 1982 and 1989. He needed it, too, when Wales beat England in the 1987 World Cup and, against the odds, at Twickenham in 1988 – after which England coach Roger Uttley said ruefully: "A player like Norster will always give you trouble."

Most of all, Norster needed his hard-nosed attitude against Ireland in Dublin in 1988 when chasing the Triple Crown (victories against all three home countries in the Five Nations championship). Wales were up against it and so was Norster, who had trapped a shoulder nerve after catching a line-out ball and was in constant pain. Yet, he turned in a performance of such courage that Stephen Jones was moved to write in the *Sunday Times* that, in the second half, "Norster grabbed hold of Wales and simply flung them at the Triple Crown." Wales won 12-9, sneaking home in the dying minutes, and went on to win the Crown.

Even in rugby union's new professional atmosphere, it might surprise many to learn that the Welsh players are backed up by their coaching staff, a selection committee and selection adviser, two doctors, two physiotherapists, a fitness adviser, a sports scientist, a match analyst and a dietician. But it all tallies with Norster's philosophy. "Attention to detail has always been, and always will remain, an essential ingredient in our preparation," he wrote in the programme notes for the Wales v England game.

At Murrayfield in Edinburgh this afternoon, we will see what ploys Norster has thought up when Wales face the strong line-out threat posed by the Scots. But you can be sure of one thing: like Baden Powell and the Scouts, Norster will be prepared.

Soccer/**Nigel Matheson**

Last amateurs keep faith in empty temple

"MAYBE IT'S an old-fashioned ideal," says Martin Smith, chairman of Glasgow club Queen's Park, "but I believe that money should not be part of sport. Football should not be about buying your way to success but about bringing up your own players and making the most of their effort and ability."

Queen's Park, nicknamed the Spiders, are Scotland's oldest and most traditional side. Smith readily admits that they are "a bit of a strange entity."

Queen's Park, who own Scotland's huge national stadium Hampden Park, are the only truly amateur team playing in a senior, professional league anywhere.

This season's lavish 125th birthday celebrations have been held as the club bumps along the bottom of the Scottish second division. There is no relegation from the division but the position is galling for a team that started at the top.

The Spiders, founded in 1867, were once kings of Scottish soccer. They supplied the entire home team for the first Scotland v England international in 1872. In 1884 and 1885 they were finalists in the FA Cup in England and once went seven years without conceding a goal.

The more commercial soccer has become, the more Queen's Park have fallen behind. In the last 50 years, they have failed to supply a single senior Scottish international player but former Queen's Parkers include managers Andy Roxburgh, Alex Ferguson, Bobby Brown and Ian McColl.

Hampden Park, which the club built in 1903, is not only an impressive status symbol for a second division team but also a guarantee that Queen's Park will stay afloat.

The club sub-lets the ground to Scottish soccer's ruling bodies for internationals and cup matches and the income, 20 to 25 per cent of net gate receipts, ensures that upkeep costs (£500,000 but likely to rise) can be met. Last year, work started on a £12m programme – paid for mainly by the Scottish Football Association, the Scottish Football League and the Football Trust – to turn Hampden into an all-seater, Taylored stadium with a 45,000 capacity. This is due to be finished in April 1994.

International games have been transferred across the city to Ibrox, but the building work does not impinge on second division games, when an average crowd of about 600 finds itself sprinkled round the ageing South Stand. The mood is low-key, except when the Tannoy (designed for 100,000) blares, shaking the fans in their seats. The famous Hampden Roar is down to a whisper.

Behind the scenes, the Queen's Park ethos is equality. The players are not employees, many are club members, technically "shareholders", entitled to vote at the AGM. The boardroom is no launchpad for the personal power of the moneyed and ambitious. Even the chairman is democratically elected.

The Spiders remain sticklers for tradition. They play in a '60s-style strip with black and white hooped jerseys rather than the computer-generated polyesters favoured by opponents. Queen's Park players must wear shirts outside shorts in spite of a FIFA ruling to the contrary.

The Corinthian spirit was always a privilege of the upper classes and so it used to be at Hampden. Queen's Park were the Gentlemen's Team. Smith, a lawyer, says: "50 years ago, if you were from the professions, as most of them were, it would have been frowned upon to accept money to play football. Just wasn't the done thing."

Coach and ex-player Eddie Hunter – a man famous for claiming that seeing Queen's Park score is better than making love – has been with the club for 34 years. He used to go to training in his overalls after a day's work as a plumber and step into a dressing room full of men in pinstripes.

"When I came to the club as a youngster in the late '50s, it was very much bowler hat and brolly and I didn't feel part of that.

"But the barriers have come down. We now have players from across the whole spectrum, university people, bankers, lawyers, labourers, the unemployed. It used to be them and us but Martin Smith has brought the club into the '90s."

It has been more difficult to bring team performance up to date. Smith says the problems of finding good players have grown. "It used to be football, football, football here in the west of Scotland but now people have other things to do. We run five teams but every year it becomes harder to find players of good enough quality to play.

"Professional clubs now sign players at 13 and 14, so it often follows that if you find a boy of 19 who is still amateur it's because he was never good enough in the first place."

Queen's Park's rigorous interpretation of amateur status is perhaps their greatest handicap.

Not only must their players be amateur but they must never at any time have accepted money for playing football. Thus the boy, who signs for Aberdeen at 16 and does not make it, and who then becomes a reinstated amateur, no longer qualifies.

There is talk among members that the club should look at the rules again.

Graeme Elder, club captain for six years, says: "The club has become a staging post for people turning pro. Players have been moving on too quickly, for their good and for ours."

But he adds: "Queen's Park's is a happy dressing room. There's not the same bickering and back-stabbing that you get elsewhere. Players I know that have moved on to other clubs become disillusioned. They soon discover that professional football is a dirty, dirty game.

"The way things are here, everyone is in it for the good of the club. If you make a mistake in a professional team, you could be losing your mates a win bonus. Here the slate is wiped clean after a game. Money isn't a pressure."

Country Notes/**Michael Woods**

Walks with stray dogs and roe deer

WHILE THERE are several good reasons I do not have a dog, from time to time a passing pooch will try to rectify this by adopting me. Pleasant though this can be, there have been times when the consequences have been embarrassing.

On one occasion, a farm dog left his post to accompany me on a walk to the beach, losing interest only when he discovered a family picnicking. He leapt with enthusiasm into the middle of their carefully-laid meal.

As they drove the animal away and I fled, I could hear loud and angry protests to the effect that owners who could not control their charges should not be allowed to keep dogs.

Sometimes, though, the results have been more positive. When a perky little terrier joined me for a walk one June, I welcomed his cheerful presence as he ferreted through the undergrowth and returned to me, grinning, from time to time. We climbed through a local wood and into an area of scrubby gorse, where he disappeared.

A couple of minutes later, there was a commotion accompanied by frantic barks. I was about to creep away when the dog emerged, pursued by a determined female roe deer.

I helped her to drive away the dog but she hung around, peeping out from behind various bushes. After searching for a few moments, I discovered why: a tiny, spotted kid, still too young to forage, lying motionless but unharmed at the base of a gorse clump.

The roe is a surprisingly small deer and, with its glossy chestnut summer coat, can often resemble a red setter at a distance. Certainly, it is an animal skilled at hiding in the sparsest of cover.

Badger-watching one evening, I remember seeing a roe rise suddenly from a tiny patch of stinging nettles between me and the sett. It looked around, sniffed the air and wandered slowly into the woods, nibbling a bit of bramble here and there.

The reference books generally portray roe as solitary deer, meaning that, in Britain, they do not form herds. In the summer months, it is often the case that a female will be accompanied by her kid or kids (for they often have twins), and she could have a buck in attendance, too.

In winter, roe will be seen feeding in groups at a good food source but, if disturbed, they tend to scatter and flee rather than bunch up and stay together, as herd deer will. In areas where they become numerous, their paths are well worn and marked by their slots, or hoof prints.

Roe deer appear to be spreading. At present, they are common throughout most of Scotland and the north of England. Further south they occupy much of the area between London and Cornwall and parts of East Anglia.

According to the *Handbook of British Mammals*, they are spreading northwards into Gloucestershire and westwards into the Midlands from these strongholds. And although absent previously from Wales, roe deer have been recorded recently around Llandrindod Wells; one wonders how they have popped up in such a central area of the country without previous detection.

Their spread will be greeted with delight by many who enjoy glimpsing these graceful little animals during walks in the country. And if the nesting habits of our local blue and great tits are anything to go by, there will be rejoicing in that direction, too.

Roe deer moult just as these birds are building their nests, and every one I find contains numerous roe hairs gleaned by the builders from the tufts shed on the woodland floor while the deer are sleeping.

FOOD AND DRINK

Cookery/**Philippa Davenport**

Super soups to stir the most jaded palate

WHEN I was a child, my father often told me the tale of a *ménage à trois* remembered from his boyhood. The co-habitants were a domestically-minded trio – *une fève, un saucisson et une petite souris grise* – whose innocent lives centred on the tasks of cooking, shopping and cleaning their little house.

They all noticed that the soup always tasted best on days when the sausage was cook. The mouse kept asking why. Eventually, the sausage divulged his secret: he jumped in and out of the soup pan when no one was looking.

The mouse was excited by this culinary revelation. When next on kitchen duty, he tried to imitate the sausage, dived into the soup pan and drowned. The bean, heartless old thing, laughed so much that he split his sides – and every bean has a split in its back ever since...

I was reminded of this tale when thumbing my way through two new books published this month, both on the same subject. *The Soup Book*, by Brigid Allen (Papermac, £9.99) is not helped by its cover. *A Celebration of Soup*, by Lindsey Bareham (Michael Joseph, £16.99) has far greater instant appeal. The title is more joyous and the cover photograph is seductive in a restrained sort of way. While Allen is lumbered with a worthy, stuck-in-a-time-warp wholefood image, Bareham's bowl of soup has a zesty, contemporary freshness.

Bareham has made her mark on the comfort food corner of the cookbook market already with an excellent volume on the potato. This new offering is liable to win her even more friends. It is a rich source of inspiration, a whopping compendium of soup recipes for every occasion, and a mass of information on all aspects of making and serving soup. The recipes are her own, her adaptations of other people's, and some offerings direct from such names as Simon Hopkinson, Shaun Hill and Nico Ladenis.

A large section, enough to make a book in its own right, is devoted to garnishes and embellishments. There are breads, of course, and such fun ideas as spooning a cheese soufflé mixture on to toast to float on soup to be heated in the oven; plus the latest visual shock tactic in foodie circles: sprinkling gold dust on home-made noodles and floating squares of gold leaf on soups.

Bareham believes stock is "the body and soul of most soups... invariably, the secret ingredient that makes so many soups rich, complex in flavour and full-bodied." Accordingly, a hefty chunk of the book is devoted to a comprehensive run-down on stock-making and a mind-boggling diversity of stock recipes. Cooks, she says, "divide into those that do and those that don't make stock."

Allen acknowledges that good stock can be valuable in soup-making but she is wary of the stock-pot as a potential tyrant. She points out that the dominance of stock in soup-making is rooted in the meat-based diet of earlier generations, and in household economies geared to the extraction of every last drop of goodness from a carcass.

Joints figure relatively rarely on our menus today. They tend to be much smaller and may be boned-out. For earlier generations, maintaining the stock-pot was a sacred duty. Today, it might involve a special trip to the butcher. We are, she argues, more orientated towards vegetable cookery.

I would guess that fewer than half the recipes in Allen's book depend on stock. They are grouped under such unusual chapter headings as soups using avocado pear, soups using roast garlic, curried soups, and so on. Recurring flavourings include ginger and chilli. Many mentions of lovage, sorrel, spinach and chard highlight the appeal of the book to cook-gardeners, and there is a useful section on breads.

SCALLOP AND POTATO CREAM WITH CORAL

(Bareham's recipe. Serves 4)

Ingredients: 4 large scallops (cleaned weight about 12 oz); 1 lb potatoes, peeled and diced; 2 small shallots, chopped finely; 2 oz butter; 1 pt hot fish stock; ½ pt milk; 2 egg yolks; 3 fl oz double cream; 1 tsp snipped chives.

Method: Soften the shallots in 1½ oz butter. Stir in the diced potato, add ½ tsp salt and some pepper. Cover and sweat for 15 minutes, stirring thoroughly after the first five minutes. Pour on the hot fish stock, stir, cover and simmer for 10 minutes or until the potatoes are soft. Purée the contents of the pan and sieve it into a clean pan.

Separate the white scallop meat from the corals. Dice the white meat and put it in a pan with the cold milk and a generous pinch of salt. Bring to a bare simmer and cook for a couple of minutes, then whisk the contents of the pan into the potato purée. Bring back to a simmer, adjust seasoning and remove the pan from the heat.

Beat the egg yolks into the cream, add a ladleful of the soup, then another, then stir the liaison into the pan. Return the pan to the heat and warm through without boiling.

Just before serving, melt the remaining ½ oz butter and gently sauté the scallop corals, either whole, halved or chopped. Pour the soup into warmed bowls and garnish with the coral and chives.

RED PEPPER SOUP WITH MUSSELS

(Allen's recipe. Serves 4)

Ingredients: 2 lb mussels; 4 large red peppers, deseeded; 12 medium-large garlic cloves, peeled; 2 tablespoons olive oil.

Method: Clean the mussels and put them into a cast-iron casserole to stew, covered, in their own juices for 15 minutes. In another pan, soften the chopped peppers and sliced garlic in the olive oil, stirring occasionally to make sure they do not brown.

After 10-15 minutes, pour on the mussel juices and simmer the peppers and garlic in them for about another 15 minutes, adding 1½ pt water and 1 teaspoon sea salt as soon as the peppers and garlic have begun to absorb the mussel juices.

Keep the mussels warm in their shells by leaving the lid firmly on the casserole in which they were cooked. Liquidise the soup either before or after you shell the mussels into it, or eat them separately.

Baffling Belgians in the course of a meal

***Jancis Robinson** found more than a few food frontiers to cross when she dined with some very particular guests*

I HAVE become very interested in Belgians recently. The French may take wine and food seriously, but they are babes in arms compared with the Belgians.

I say this with all the authority of one who spent a weekend in Leuwen – or was it Louvain? – last autumn and who spent far too much of a day recently being interviewed, in London, for a Belgian magazine. It is rare for the interviewee to learn more than the interviewer, but I did on this occasion.

The man from Brussels got little out of our encounter, other than exasperation at my inability to get to grips with his dauntingly all-embracing instruction: "Tell me about European wine." But he had brought with him a Belgian photographer, a fascinating young man who had been brought up in a restaurant, his father being a restaurateur. Thus, although the young Belgian was there in clicking mode, he could not help passing on various epicureanisms in the restaurant where we met for lunch.

That was my first mistake. I suggested we meet at Clarke's, Sally Clarke's Kensington restaurant with a California accent on both its food and wine. It therefore proved rather more difficult than it might otherwise have been to field the bottles of European wine required for the photograph.

Nor could my two Belgian friends quite believe that the fresh face at the char grill belonged not just to the chef but to the *patronne*. While we waited for our first course, the photographer asked politely where she had trained. I would have liked a photograph of his face when I told him California.

Soon after this the wine arrived. Assuming they would be interested to taste something out of the ordinary, I had ordered a bottle of Au Bon Climat Chardonnay. The name may be French but the provenance is an old barn in California's Santa Barbara County. They viewed it rather as one might a dog with three legs.

The photographer was particularly worried about the means used to cool the bottle. "I was taught," he said, "that you should never cool wine in a fridge, only in an ice bucket."

I can see the logic of this if you are running a restaurant full of fault-finding Belgians. Wines, especially fizzy ones, left for more than a few days in a fridge can lose their fruit, and stock rotation is much more difficult in a restaurant than at home. But my photographer friend clearly thought that wine itself is capable of sensing by which method it is being transformed from temperature A to B, and of reacting accordingly.

"Excuse me," he then asked politely over the first course, "but would you normally drink wine with soup? I was taught you never should."

An interesting point that, and one we discussed at some length. It is true that since soup slakes thirst, there should be no need to drink anything with it, but I could not convince the photographer that there was nothing about the flavour of soup *per se* that was inherently inimical to wine. However, in Belgium you do *not* serve wine with soup. I felt bad about making him party to this solecism.

Then we discussed corkscrews. The Belgians were horrified by my enthusiasm for the Screwpull Lever model, which has transformed my life, involving as it sometimes does the extraction of more than 50 corks a day. But, they pointed out in unison, there is the possibility that the point of the screw might emerge below the cork and push a particle of said cork into the wine. So what? I said. The interviewer scribbled madly. "We've got a right revolutionary here," said his furtive look to the photographer.

All this instructive observation of assumed national behaviour had been presaged by my Belgian weekend, where a group of us wine tasters had our knees under some table or other almost every waking hour (although we did spend a lot of time snoozing in the back of cars between meals).

Tastings would be punctuated by little platefuls of truffle or foie gras and every glass was religiously rinsed with the relevant wine, even precious Yquem, before being used for tasting – and we must have tasted at least five dozen wines during the weekend.

Wine thermometers were much in evidence. Our host's son had driven 500 miles (800 kilometres) to Epernay to buy the right sort of beef for Sunday lunch. Whenever a course was served it was fallen upon and ravished in a noisy – though wordless – food-dedicated interval before the upright position and conversation could be resumed.

But the most riveting sight, the one that convinced me that a Belgian's vocation is to eat and drink, was of a piece of gastronomic equipment which I have never encountered elsewhere but which raised not an eyebrow in Belgian company. Just before each meal, the really keen members of our party would take from their pockets or handbags a small chain about a foot long with an ornamental clip at each end. They would reverently arrange this chain around the back of the neck before using them to clip their napkins neatly up to the chin.

The ritual unclipping was invariably accompanied by a sigh of sated melancholy.

■ For a thoroughly Belgian antidote to all this reverence, Londoners should head for the impressively, jokily, spartan Belgo restaurant in Chalk Farm Road, NW1. Great value for moules, and beers to turn the head of the most convinced wine lover.

Poor food: it sticks in my throat, but . . .

*. . . when top-class restaurants cannot get the basics right, they deserve to be taken to task, says **Nicholas Lander***

ALTHOUGH I have written this column for four years, I still find the obvious question the most difficult. Should anybody ask me "Where is the best place to eat in London?" I mumble and try to change the subject.

It is only when I can move this question on to specifics – area, price, type of cooking – that I feel more confident, particularly as I am convinced that not only is the quality of restaurants improving nationally, but so too is the value they offer.

At least, I thought that until the past fortnight, when two dinners and one lunch for a total of eight people costing a total of £360 all proved a grave disappointment. Normally, I do not review unsatisfactory restaurants but this sorry sequence, which inadvertently taught me a lot, will be the exception to this rule.

Although a long-time admirer of Nico Ladenis as a cook, I decided just to mention his move to the Grosvenor House *en passant* rather than devote another article to his restaurant, now known as Nico at Ninety. After all, Ladenis is now plugged into the effective Forte PR machine. It was the need to distract a friend whose wife was away that finally provided a *raison d'etre* for a visit.

Fortunately, we were all interested in wine because the highlight of the meal was the knowledgeable British sommelier, who steered us in the direction of two interesting, relatively well-priced, bottles. But his enthusiasm was not matched by that of the maitre d', who had to be prompted into divulging the fish specials and who managed to run the descriptions of all four into one long convoluted sentence.

We therefore decided to order meat but had difficulty choosing because, having eaten Ladenis's food before, there seemed to be little new. The dishes that had been stimulating five years ago were repeated, but at higher prices (£42 for two courses) and our own lack of enthusiasm seemed to be reflected in the kitchen.

Small details annoyed me. The dessert menu, which baldly asked me to pay £8 for a lemon tart (albeit in French), was worn and needed replacing. Out of the corner of my eye I kept spying a waiter, only half hidden by the kitchen door, swigging from a bottle of Perrier.

Two days later, meeting a fish merchant friend at the new restaurant in Harvey Nichols, in Knightsbridge, I first surveyed the fish counter in the food store. Fresh halibut, turbot and glistening red mullet whetted my appetite.

However, the chef cannot be in touch with the store's fish buyer because the only fish on the restaurant menu were lemon sole with a crab sauce (half way through my meal I saw a blackboard in the kitchen which read NO LEMON SOLE) and an Italian fish chowder which I mistakenly ordered. This was bland and thin and its only connection with Italy, I felt, was the tomato.

The restaurant will have problems until the relatively inexperienced Henry Harris, formerly sous chef at Bibendum, eventually finds his feet as a head chef and their personable general manager, Dominic Ford, stops running around trying to plug too many holes and concentrates on orchestrating the service – which is poor in spite of the 15 per cent service charge.

We had to ask for menus, ask again to order, and then our conversation was interrupted three times by the waiter. But my meal was irrevocably spoilt by having to sit and watch a single lady diner wait 20 minutes for a bowl of fish soup. That is no way to treat a lady.

But the head-scratching service at La Sémillante, Mill Street, London W1, made this experience pale into insignificance. Here our meal was barely salvaged by happy recollections of John Cleese in "Fawlty Towers," although watching a commis waiter walk out of the kitchen with an empty tray, put it solemnly down on a table, pick the tray up again and walk back into the kitchen will remain a low point in the career of this restaurant correspondent.

We went there because I intended to write an article on pastry chefs and I had been reliably informed that the chef, Patrick Woodside, a graduate of Tante Claire and Claridge's, was one of the best. Certainly his bread is first class and he is possibly an inventive, talented chef. However, as well as being let down by inept front-of-house staff, his talents are hidden by a menu that contains more past participles than anything I have seen since I took Latin A level and a kitchen brigade that on the night could not get the basics right.

A filet of hare came without the crispy rice advertised on the menu; another dish came with a potato "fondant" and brussel sprouts that had not been thoroughly cooked. We were not asked why we had left a good portion of the meal uneaten.

The overall experience of these three restaurants left me wiser, poorer and even more reluctant to make recommendations. But there was another cause for concern. Quite understandably, none of the restaurants uses the large pretentious silver "cloches" to cover the plates. But none of the food came to me, on cold winter evenings in air-conditioned rooms, as hot as I would have liked. For any reader able to design a suitable cover there is, I believe, a ready market.

Appetisers

CHARDONNAY at £2.99? An oxymoron, surely, unless that Chardonnay is unrecognisable and/or Bulgarian. A white burgundy sort of Chardonnay at £2.99? A cruel joke, surely, unless it is the Labouré-Roi Bourgogne Grand Ordinaire on offer at Majestic wine warehouses from February 23 until March 21.

The bottle I tasted not only looked worth twice the price, it almost tasted it too. Majestic has 14 burgundies on special offer over this period, with such wines as remain being "on taste" over the weekend of March 6/7. The red counterpart to this BGO is £3.99 with the grand Pinot Noir grape fleshed out with some of Beaujolais' Gamay. Best value in red wines is Faiveley's 1989 Bourgogne Rouge at £5.99 – thoroughly serious for drinking over the next two years.

■ "In the twenties, we danced," wrote Dame Barbara Cartland in the foreword to *The Complete Hostess* by Giovanni Quaglino. She would have interrupted her dancing to eat, from La Grande Carte, Tournedos at 3/6d or half a lobster Delmonico at four shillings, and a bottle of Château d'Yquem 1920 at £2.

The prices will have changed but last week Quaglino's reopened on the same site in London's Bury Street, SW1 (tel: 071-930-6767) a West End outpost of the Terence Conran empire. It will be interesting to see whether, for the first time since Conran appointed Simon Hopkinson as Head Chef at Bibendum, he has found another chef (this time Martin Webb) whose culinary skills can match Conran's undoubted eye for design.

HOW TO SPEND IT

Live a simpler life: throw away those festoon blinds

These are the brighter, cleaner '90s. ***Lucia van der Post*** *looks at ways to create the uncluttered, personal look of the modern interior*

THOSE WHO got their houses all kitted out in authentic 1980s chic may well find, if they mind about such things, that what once looked so absolutely *comme il faut*, today looks more than just a little *passé*. Eighties chic in designer-land, you will not need reminding, centred round a sense of excess, of sumptuousness and opulence. Images in glossy magazines showed us rooms with not a corner left unmolested by urns or cherubs, with scarcely an inch of wall left unadorned, no surface left clean and uncluttered.

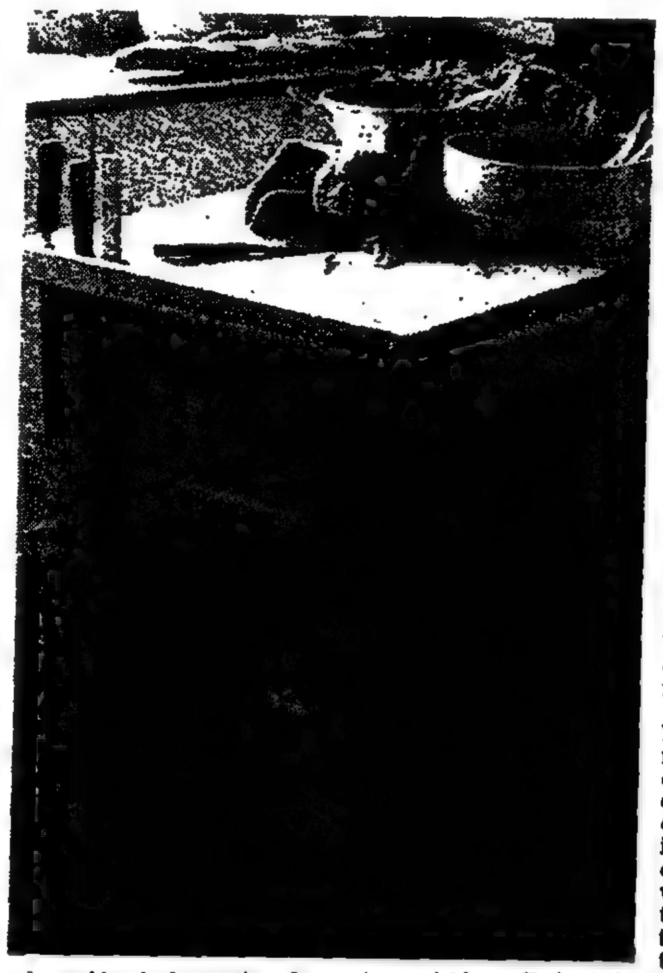
Nineties rooms are different. Nineties rooms are lighter, cleaner, brighter. Fashionable walls are often white, or else lime-washed straight onto the plaster with natural dyes. Where festoon blinds once flourished there are Roman blinds or even plainer roller blinds. In the place of rich patterns there are simple muslins, calicos, checks. Furniture is countryfied, stronger. Chintz has gone into retreat, cherubs into hiding and all those glitzy bows and furbelows done a bunk.

If your own house or rooms are still a little over-loaded with '80s props a quick trawl around some of the latest home interior catalogues should offer lots of ideas of how to simplify and up-date without embarking on massive expenditure.

A good way to start would be by taking a look at the latest Habitat catalogue, due out in all Habitat stores from March 5 (price £2). As always, the catalogue does more than focus on individual products – it captures the mood of the times. And the mood, says the catalogue loud and clear, is natural, sunbleached, weathered. Strength and simplicity are the '90s virtues.

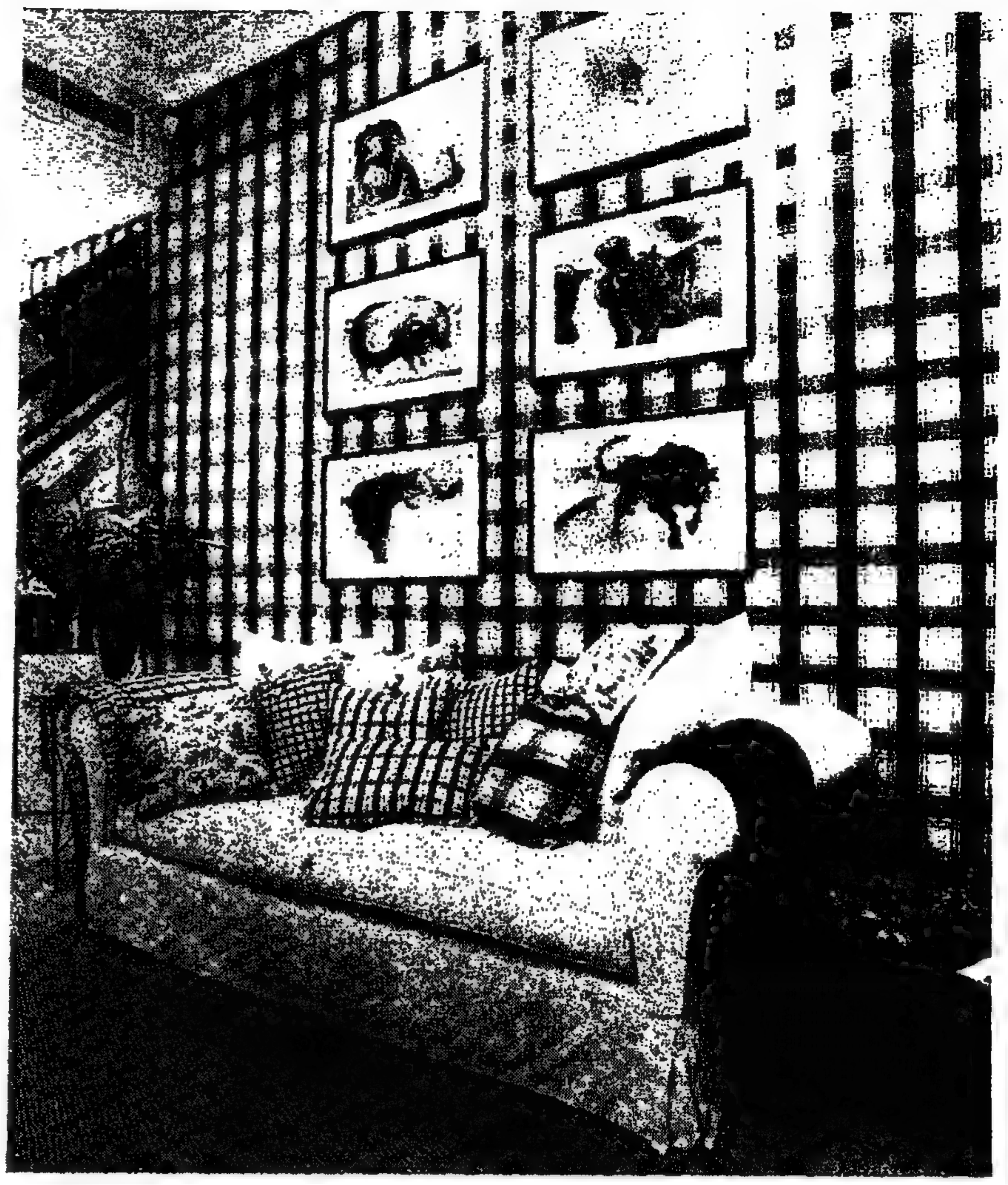
Fabrics are mainly plain or checked with a few errant florals making a token appearance from time to time. Furniture is strong and clean-lined with several pieces that are reincarnations of internationally recognised classics – the rush-seated Monet Chair (£39), the Van Gogh chair (in solid beech with blue-stained finish and a woven rush seat, £45), the Chubb Rattan chair (£75), the Steamer (£129).

For the kitchen the look is pared-down, practical, sturdy. Look out for the butcher's range – all in solid beech, there is a table, chairs, a useful mobile chopping block and storage unit, the trolley (photographed here top left, £199) and the console, a side-unit with a hanging rail, knife rack, chopping surface, rattan drawers and a storage shelf.



Mobile butcher's trolley in solid beech (left), with a knife rack, woven rattan drawer and storage shelf. £199, Habitat.

The '90s interior (right) homes in on solid colours, classic checks, simple lines and natural fabrics. Here Jane Churchill, 135 and 151 Sloane Street, London SW1 provides the fabrics, the wallpaper, the furniture and the props.



For the rest of the house there are big handsome pieces – the Sussex large cupboard (made to order, the top is £349, the base, £399)), the capacious Monterey sofa and armchair, (£1,149), the Bath dining table big enough to seat eight in comfort (solid pine top, hand-forged steel base, £499).

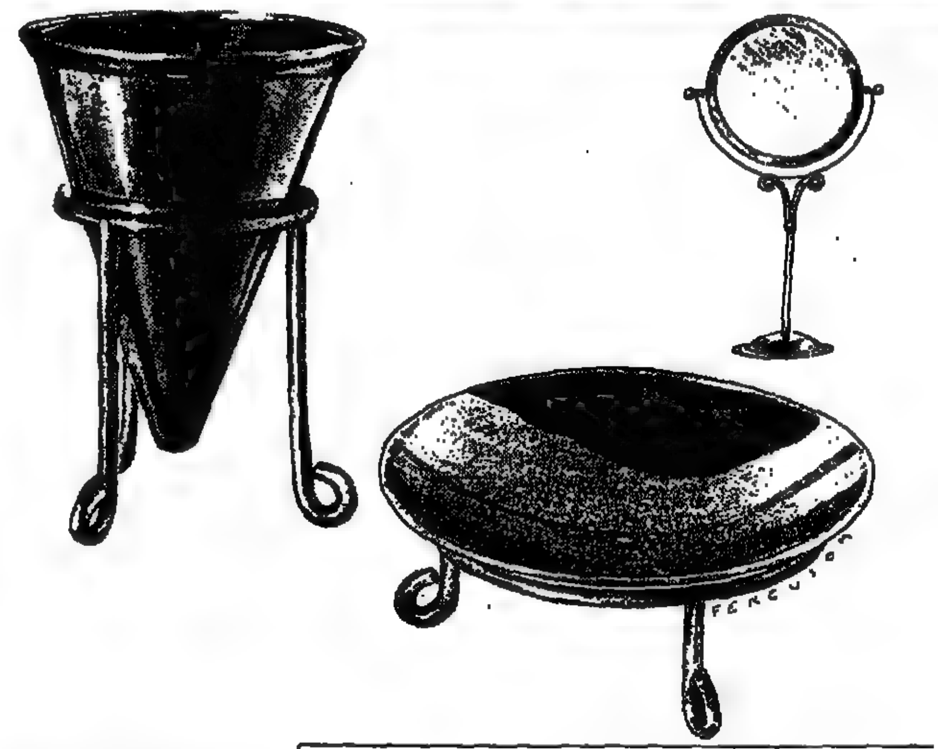
The bedding, always one of Habitat's strengths, offers even more charm than usual – choose from plain 100 per cent cotton percale Chambray, lots of crisp stripes and checks, an impeccably plain pure white cotton range and some patchwork Indian quilts to soften the look. Just as charming is the handcrafted copper collection of bathroom accessories, sketched right.

This is a simple, classic catalogue with the furniture left to speak for itself. It is based on the assumption that what the modern home needs is a series of timeless, constant designs around which personality can be added. You can add handcrafted artefacts, loved pictures, quirky lamps, treasured holiday finds and put together your individual look through the years.

Make sure your big purchases are bought properly and well, is the underlying leitmotif, then they should last you a lifetime and you can refresh and revitalise a scheme by ringing the changes in more ephemeral, less expensive ways.

Jane Churchill is another company worth looking at. It started by offering a range of pretty, chintzified country fabrics and papers, all of which co-ordinated in many different ways but since it was taken over by the Colefax & Fowler group it has blossomed. Its Sloane Street shop offers not just some exceedingly pretty papers and fabrics but a wide range of all the smaller accessories that go to make up a "look". The photograph, top right, shows perfectly the new Jane Churchill style – all crisp checks, in toning colours and different scales, teamed with strong, simple furniture and simple woven rush matting. Hand-crafted and one-off are some of the watchwords of the nineties and at Jane Churchill there is a supply of the hand-crafted pieces, candelabra or one-off bits of furniture that can add character and individuality to a classic room. Prices seem to me excellent.

The best place to see the whole look is at Jane Churchill, 135 and 151, Sloane Street, London SW1 but there is also a concession in Liberty of Regent Street and another shop at 3, Christopher Place, St. Albans, Herts. Otherwise all the papers and fabrics can be seen and ordered through interior decorators throughout the land. Telephone 081-874-6484 for the nearest stockist.



Gone is the strictly clinical look for bathrooms – in its place has come a selection of handcrafted copper bathroom accessories (above) all at excellent prices. Sketched above is a free-standing mirror, £19.50, toothbrush holder, £7.75, and a copper filigree soapdish with stand, £4.95, all from Habitat.

Graham & Green also sense the way the decorative wind is blowing and this year for its annual kilim exhibition (starting on Saturday February 27 and running until March 27) they are making a point of showing kilims used in a lighter, fresher way.

Antonia Graham, one of the taste guides behind the shops, has rented a gallery on the corner of Elgin Crescent and Portobello Road (readers wanting to go to the exhibition are advised to turn up at 4, Elgin Crescent, London W11 where they will be directed to the gallery just two minutes away) where there is lots of wall space and big windows. There she plans to show that by mixing kilims with plenty of white and cream – creamy sofas, filmy white curtains, white walls – the look is immediately lightened and updated. As she rightly points out white walls are anyway the best background for any interesting works of art, tribal pieces, wall-hangings.

There will be cushions and fabrics from Chelsea textiles – most of the patterns are taken from 17th-century designs and are so exquisitely done, using natural dyes and colours, that it is almost impossible to date them.

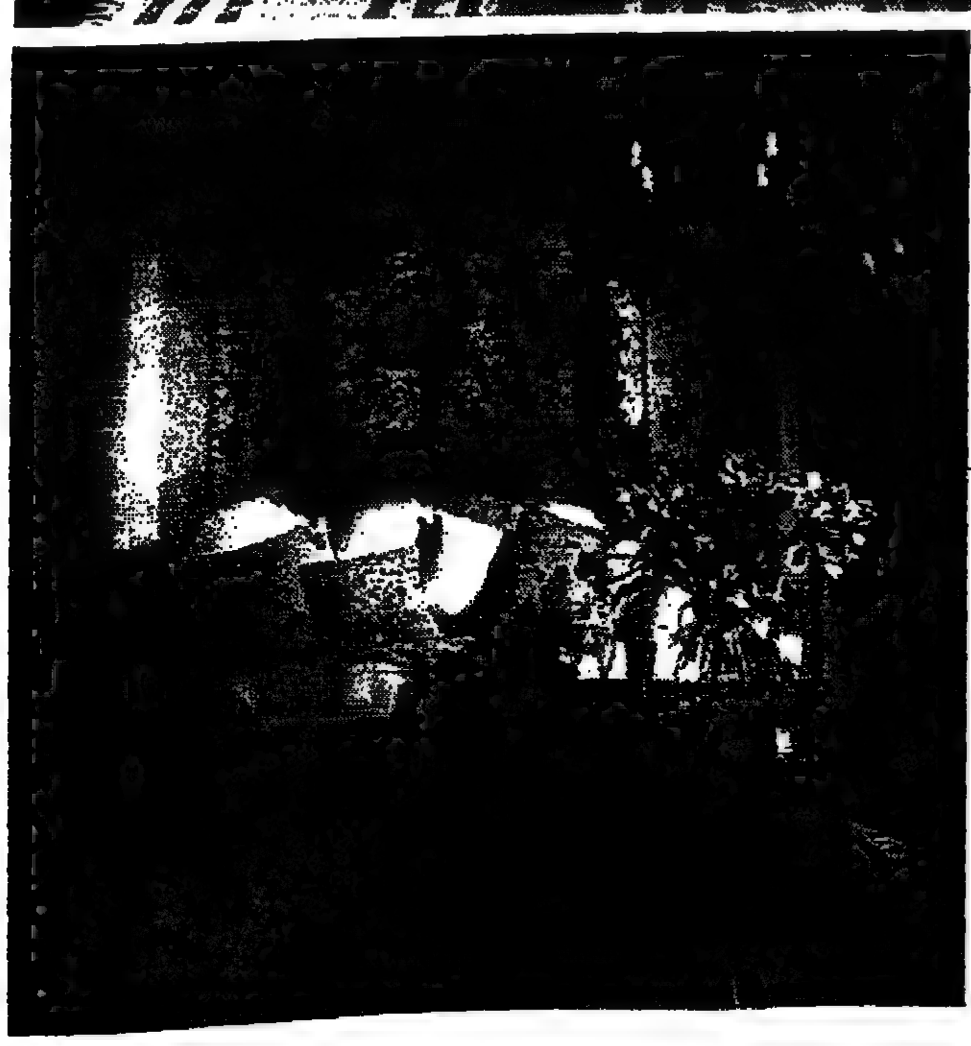
There will be small Afghan rugs at about £40 a time, Turkish ones starting at about £95, lots to choose from between £350 and £375 and two or three specials costing about £2,000.

Photographed bottom left are two rugs from the Graham & Green collection – on the wall is one from Yugoslavia featuring some colourful peacocks (sadly, sold already) and on the floor is a Turkish kilim (£245). The wrought-iron sofa is English, by Stan Pike, and costs £885 (cushions extra) and the Indian table, one of a big selection, is £950.

If you want to update your house instantly there is no need to throw everything out but there are a few simple things that most of us could easily do. You could take down the festoon blinds and put a simple white and, need I say it, natural, fabric at the windows.

Habitat, for instance, is selling a ready-made simple loop-headed curtain (66 ins by 90 ins, £39) in handwoven thick white cotton which would immediately lighten any room. Take down the gilded bows, the bronzed cherubs, simplify the tie-backs, take off any fringing, cover sofas or chairs in loose-covers in plain or check fabric and above all, add masses of white or cream.

The Newport sofa, photographed above, is part of a range of furniture drawing its inspiration from images of New England seaside life. Seen above in a two-seater version, (£999), covered in plain yellow *'peau de peche'* fabric and embellished with gingham covered cushions (from £18, cushions can also be made to order). Also in the range is a collection of sturdy wooden furniture – brilliant blue or yellow slatted tables, benches, the Adirondack chair, the Scout folding table and stool, the Safari chair and the fold-flat Colombo chair. All from Habitat.



Kilims teamed with a wrought-iron English sofa by Stan Pike (left), gentle crewel-work and embroidered cushions from Chelsea Textiles, an Indian table from Rajasthan and a wrought-iron candelabra, all from the Graham & Green kilim exhibition starting on February 27th at 4, Elgin Crescent, London W11.

A market with the wind in its sales

***Michael Skapinker** analyses the growth in cruising holidays and finds travel companies forging ahead to their next frontier*

THE FIRST time I saw a group of cruisers, they were disembarking on the Greek island of Hydra. Mostly elderly Americans, they spent an hour or two in the jewellery shops and then went back on board. I thought it was a peculiar way to spend a holiday.

The number of holidaymakers who disagree increases by the year. In North American, 1.4m people took cruises in 1980. Last year, the figure reached an estimated 4.4m. The UK, the world's second biggest cruise market, is far smaller. But the 200,000 UK residents who went on cruises last year were a substantial increase on the 115,000 who did so in 1980.

The large UK travel companies believe they can almost quadruple the number of British cruisers by the end of the century. After building an industry which every year takes 11m package tourists by air to resorts in the Mediterranean and further afield, British travel companies regard cruising as their next frontier. They believe that a generation jaded by Majorca and Florida is ready to try something new.

By the end of the century, Thomas Cook, the travel agents' chain, predicts that 750,000 Britons will be cruising each year. It thinks the world-wide figure will be 10m.

Lunn Poly, Britain's biggest chain of travel agents, sold about 15,000 cruises in 1992. This is a tiny proportion of the 1.7m holidays Lunn Poly sold overall, but the company's cruise sales for this summer are already 144 per cent up on last year.

About two-thirds of Lunn Poly's cruise customers fly to Florida or another North American hopping-off point and take a boat bound for the Caribbean. The Caribbean is the most popular UK cruise destination and the one which companies like Lunn Poly regard as their natural market.

Cruisers in the Caribbean tend to be younger than those who take a cruise from a UK port. Caribbean cruisers regard their ship as a floating hotel, which has the advantage of allowing them to wake up at a different island every few days, instead of being stuck in the same place for two weeks. They are more interested in having a casino or discotheque on board than a guest lecturer.

> *The large UK travel companies believe they can almost quadruple the number of British cruisers by the end of the century.*

Andy Allwood, Lunn Poly's spokesman, puts it this way: "The last thing fly cruisers who go to the Caribbean want is to be surrounded by water. They want to be able to see an island wherever they are. The cruiser who leaves from a UK port is a traditional cruiser – Home Counties, crusty colonels set in their ways, people who like hierarchy, officers and ranks and all that. Some of that market is people who like being at sea. They like the idea of being on a ship surrounded by water," he says, somewhat incredulously.

As I said, Lunn Poly is aiming at the Caribbean market.

There are plenty of people taking cruises from UK ports, and they are not all crusty colonels. The Cunard Line says bookings for cruises from the UK to the Mediterranean are up 20 per cent on last year.

The company says that bookings on the *QE2* are particularly healthy. A 110-day world cruise on the *QE2* in a cabin with its own lounge and private balcony can cost £80,000. But it is possible to take a *QE2* cruise for less than £300. That will give you two nights on board and take you from Southampton to Brest, Cork and back to Southampton.

Not everyone in the cruise industry is happy about the level of bookings. Sissie Chan, marketing director of Swan Hellenic, part of the P&O group, says she expects to have a difficult year. Swan Hellenic cruises, on the Mediterranean, the Black Sea and European rivers, last for two weeks and cost an average of £2,500. Most of the company's customers are retired and wealthy. The company is trying to lower its age profile, by which it means attracting people in their 50s, rather than the under 40s who are going to the Caribbean.

Swan Hellenic never really recovered after the Gulf War. The recession has hurt, particularly as the company's retired customers suffer, rather than benefit, from low interest rates.

What all the cruises offer is security. There is not the worry about changing hotels every few days and moving your luggage. If you go sailing on the *Cunard Countess* in the Caribbean, for example, all you do is turn up at the airport with your luggage. The next time you see it is on board.

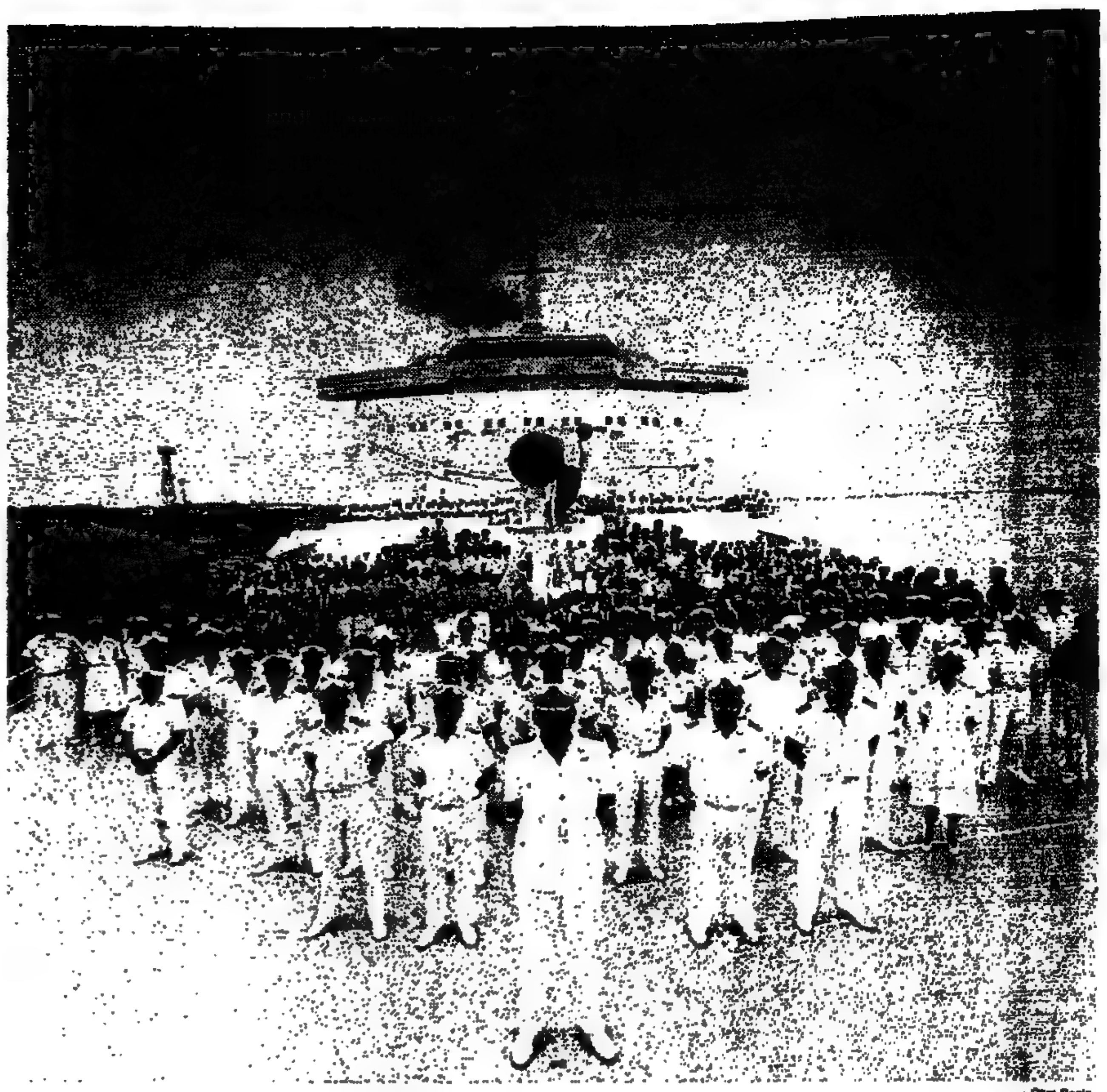
But the variety of cruises on offer makes it essential to choose the right one. Once on board, there is no way off.

Although the large travel agency chains are keen to increase their cruise business, they handle a relatively small proportion of current bookings. This is in sharp contrast to the air charter package market, where the large chains play a more dominant part. Industry officials estimate that about 25 per cent of bookings are made directly with the companies. About 60 per cent of the rest are handled by independent travel agents.

Although the industry has worked hard to improve travel agency employees' knowledge of cruising, it is still a specialised business. When Thomas Cook carried out a survey four years ago, it discovered that most of its cruise business was coming through about 50 of its outlets which had decided to concentrate on cruising.

Because you are stuck with your fellow passengers and the opportunities to wander off on your own are limited, it is essential that you book through an agent which specialises in cruises.

Eric Flounders, Cunard's spokesman, says: "There are some ships, not ours, which are like Butlins afloat. If you didn't want that and you ended up on it, you'd be miserable."



Glyn Genin

At your service: QE2 captain Robin Woodall and his 1,000-strong crew

How to find your dream boat

***Catherine Stott** provides a guide to the pick of holidays afloat*

CRUISING IS the one kind of travel that has continued to get better. It has become more glamorous and more affordable. Long gone is its image as the winter pastime of the geriatric rich.

The about-turn came in the 1980s with the launch of a new generation of ships which, helped by strong marketing, were addressed to quite a different audience. Now, first-time cruisers are more likely to be young and fun-loving, often with accompanying children, than rich and old.

Gone (almost) are the gruesome old rust-buckets with shared facilities, shoe-box cabins and no air-conditioning. Here to stay are, at one end of the scale, floating resorts of great luxury and, at the other, élitist "boutique cruisers" carrying around 200 passengers prepared to pay for the best.

Initially, many people remain cruise-resistant. The most common worries are feeling restricted, sea-sickness, and being trapped in a holiday camp atmosphere. The short answers are that if you tend to feel shut in, you will choose one of the larger ships. Sea-sickness is rarely a problem, since all cruise ships have high-tech stabilisers designed to reduce roll. If you *are* prone to it, acu-pressure wrist-bands and the little patches worn on the neck prevent most bouts. And all ships' hospitals offer injections to stop it.

As for the on-board atmosphere, that depends on the style of ship you choose – but 80 per cent of people elect to go for another cruise once they have tried it. There is plenty of choice: there were 120 ships world-wide in 1985; next year, there will be 175.

Cruising offers a touch of romance – besides most places look better from the sea. It allows less intrepid travellers to reach parts of the globe they would not otherwise contemplate, in comfort and safety. I sailed around India recently with several hundred truly timid people who had the journey of their lives, mostly using the ship as a hotel in different ports – including Rangoon which is still difficult to visit in any other way.

And you really do get what you pay for, with no hidden charges. All transport, meals and entertainment will have been settled in advance. Only (optional) shore excursions, drinks at duty-free prices and tips are extra. This need not be a worry: all ships set out reasonable guidelines on how much to give, and to whom. On an average cruise, it would work out at about £3 a person per day.

As a first-time cruiser, how do you begin to choose? Answer: set yourself an honest quiz to find out what you want and what you would hate. The Passenger Shipping Assocation says it receives only 35 complaints a year out of 200,000 cruisers and an equal number of ferry passengers. "Complaints are invariably from people who have chosen the wrong ship and are expecting more than they have paid for," says director Ken Page.

Next, decide when and where you want to go. Only the Caribbean and south Pacific are year-round destinations (although the Caribbean is prohibitively expensive from December to April if you stay in a hotel, it is cheaper to cruise there in that period because, curiously, the peak season for Caribbean cruising is July and August when the weather is far more humid).

Alaska, the present "in" destination, is navigable only between June and early September – prime months, too, for the Baltic. The Mediterranean season runs from late March to early November in the brochures, but seasoned sun-seekers will know that although prices may be seductively low at both ends, the weather can be blustery and the waters turbulent at these times.

In the northern hemisphere winter – *their* summer – South America, South Africa, Australia and New Zealand have the best cruising weather. And south-east Asia, an increasingly popular area, is best from October to March although there can be small rains (as distinct from full-blown monsoons) in December and January in certain areas.

Closer to Britain, the cheaper traditional winter destinations are the Atlantic islands (Madeira, Tenerife, Gran Canaria and Lanzarote), and south to The Gambia and Senegal. These well-trodden paths may not appeal to more discerning travellers, however.

Sensible first-time cruisers in Britain will acquire a big selection of brochures from a travel agent displaying a window sticker saying "PSARA." This indicates it has staff trained to advise on cruising; there are 1,000 such agents.

Now it is time to decide on your holiday priorities. Cruising tends to be gregarious. If you are a loner, or a self-sufficient couple, it will not work unless you can afford the most expensive and smallest possible ship where the on-board entertainment is negligible and the personal space huge.

Should you regard yourself as a swinger or raver, choose a big, new vessel. Paradoxically, the largest ships often have the most compact cabins – cleverly-planned modules that are quite adequate for those who regard their accommodation as no more than a place in which to sleep before the next bout of swinging and raving.

If the dimensions of cabins are not given in the brochure, ring the cruise company and ask. Older ships tend to have a wider range of accommodation. Prices for newer liners vary according to whether there is a view, a bath as well as a shower and, increasingly, a veranda.

Next: how many ports do you want to visit? Remember that most shore excursions leave the ship at 8am; if you were late to bed, this might not be convenient. Cunard has two ships, one in the Caribbean, the other in the Mediterraean, which offer a different port each day but most passengers seem to find one every two days about right.

Seventy-five per cent of the world's cruisers are American. Should you prefer to sail mostly with Britons, it is easy to book on ships leaving and returning to UK ports. This market has grown by 1,500 annually for the past five years – an increase that has led P&O, which already has two ships sailing world-wide from Southampton to

■ Continued on next page.

Find a dream boat

■ From previous page

announce plans for a new, £200m liner cruising from the UK in 1995.

■ **Cruising for under £1,200.** This category has the most choice. For excellent Italian food and a cheerful European atmosphere, the *Costa Classica* is new, sparkling and good value. You can choose from two Caribbean routes out of Miami, with a starting price of £849 for 15 nights (seven in Miami or Orlando) including the return flight from Britain.

The *Crown Princess* and *Regal Princess*, mega-cruisers from Princess Cruises (part of P&O), offer nine nights in the Caribbean from £895. The *Song of America*, operated by Royal Caribbean Cruise Lines, has an interesting itinerary from Los Angeles south to Mexico, including return flight, from £1,175. The *QE2*, with its vast range of accommodation across a large price range, has cruises from two to 100 days – good food in the top classes, 60 things to do each day.

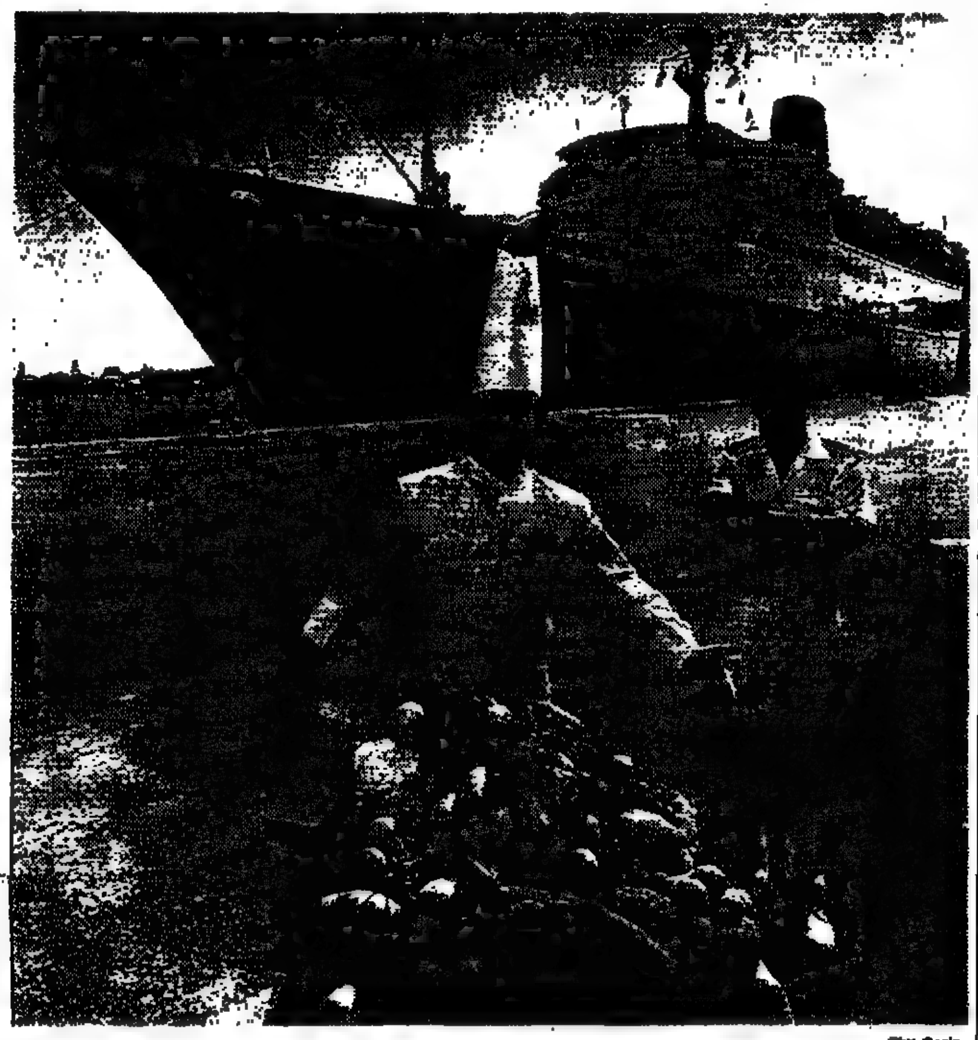
The *Norway*, once the *France*, is now Norwegian Cruise Lines' flagship. Taking 2,300 passengers weekly round the Caribbean, it is still very stylish, with glassed-in decks of shops and cafés. Its range of cabins starts at £995 a person for a nine-night holiday out of Miami.

■ **Cruises over £1,800.** The *Crystal Harmony* is a new, luxurious ship from Crystal Cruises which offers opulence at half the price of some rivals. There is a choice of restaurants, the biggest pool afloat, marble-lined lifts and spacious cabins. A 13-day cruise from Tilbury costs from £2,424. Equally good value on the large-and-luxurious circuit is the *Royal Princess*, which has no inside cabins and an unusually high proportion of full bathrooms and verandas.

Other ships in this category with high reputations are the *Royal Viking Sun*, voted consistently as the world's No 1 cruise ship; all the ships of the Holland America Line; and Cunard's *Sagafjord* and *Vistafjord*, which have an extremely loyal following.

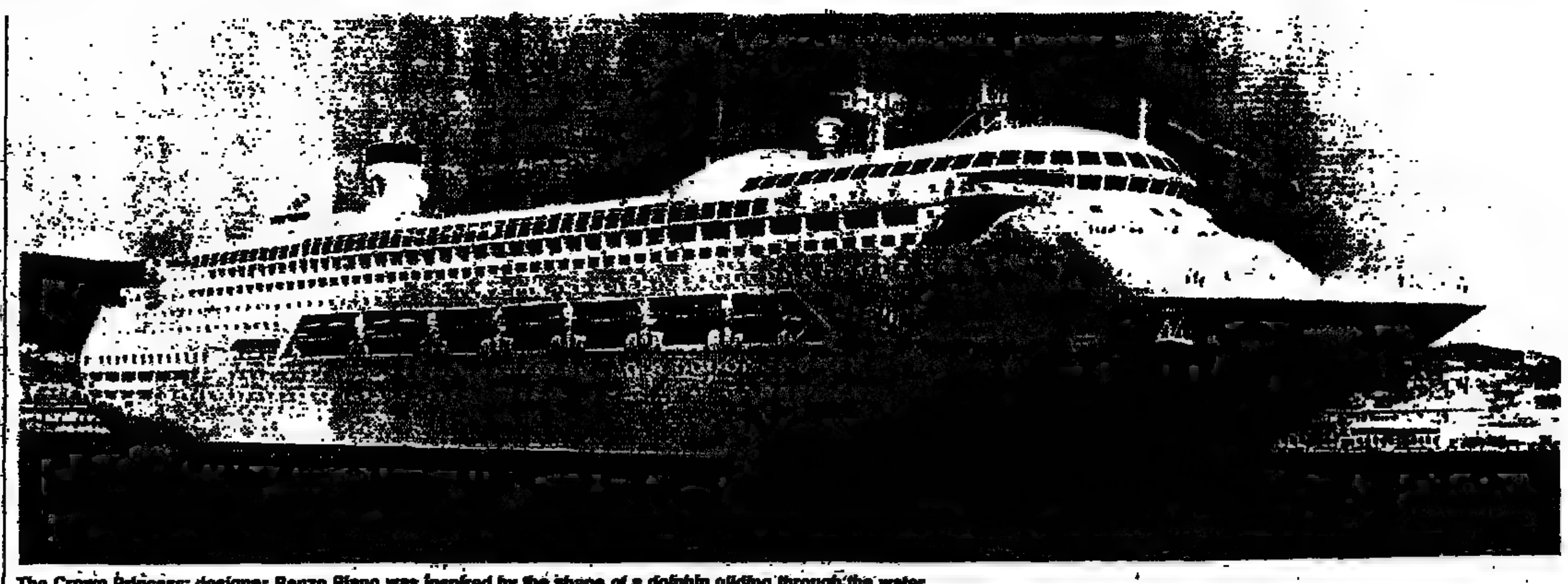
■ **Cruises over £3,000.** The "boutique cruisers" take around 200 passengers in surroundings of all-inclusive splendour. These luxury ships have such shallow drafts that they can enter bays, harbours and rivers inaccessible to most others. They offer virtually no structured entertainment; the passengers mostly are rich. Vessels include Cunard's *Sea Goddess I* and *II*, the *Seabourn Pride* and *Seabourn Spirit*, the *Royal Viking Queen* and the *Song of Flower*. Work on a budget of around £500 a person per day and you will not be far out.

■ *Costa Cruises, tel. 071-436-9431; Crystal Cruises, 071-287-9040; Cunard, 071-491-3930; Norwegian Cruise Lines, 071-408-0046 (also for Royal Viking Line); P & O Cruises (Canberra and Sea Princess), 071-831-1234; Princess Cruises, 071-831-1881; Royal Caribbean Cruise Lines, 0932-820230; Seabourn Cruise Line, 071-629-1336.*



Executive chef Rudolf Sodamin of the Vistafjord with his provisions master and a future lunch

Glyn Genin



The Crown Princess: designer Renzo Piano was inspired by the shape of a dolphin gliding through the water

A Caribbean floating fantasy

Catherine Stott joins 16 nationalities seeking fun in the sun aboard a floating resort

BRITONS still tend to regard a Caribbean cruise as the ultimate travel fantasy. While many of the 50-odd islands have become relatively expensive since being developed, a ship makes them accessible financially as well as geographically to a broad range of travellers.

With more than 40 ships to choose from year-round in the Caribbean, standards have risen. I took a one-week cruise which, in spite of the luxury, cost no more than a week's full board in a middle-of-the-road hotel in the Med. The accommodation could not be faulted, food was available round the clock, and the service was good.

The British passengers – mostly young families – had flown to Miami and spent the night in the French-owned Sofitel before being driven to Fort Lauderdale. Most seemed to be first-time cruisers as well as making their first visit to the Caribbean and expectations were high. As 70,000 tons of gleaming ship filled the view from the bus windows, there was a collective gasp. Then silence.

Designed by Renzo Piano to resemble "a dolphin moving through water", Princess Cruises' *Crown Princess* was launched three years ago. Although it comes into the "floating resort" category and holds 1,600 passengers, it feels uncrowded even when booked solid, as it was all last year.

Inside, it is luxurious; I have been in worse hotels at twice the price. Maximum use is made of space, enhanced by full-length mirrors. My bedroom was light and furnished stylishly with nice fabrics and framed prints. The good-sized bathroom had a power-shower, plus a vacuum loo that sounded like cannon-fire, and there was a vanity unit and separate dressing area with 40 hangers and 20 drawers.

Some of the new mega-liners have been described as no more than vulgar floating casinos, but this one was elegant with shops that were glitzy but chic.

There were 16 nationalities on board, all determined to have fun. The mix ranged from a 600-strong teetotal religious group from California to the six exuberant Mexicans my sleepless companion spotted entering the whirlpool bath in the middle of the night with a bottle of champagne and a ghetto-blaster, wearing very little.

Our table for 10 at dinner in the enormous restaurant was fairly jolly. All the diners were wealthy Americans. Willy, once a Swiss farmer's boy, owned a gold mine in Alaska. Gary was a psychotherapist-cum-novelist from Phoenix; his wife was so twitchy, she must have been a patient. Kelvin from Beverly Hills was chairman of a computer corporation; and Sheldon – well, Sheldon was the real prize. He said: "I have taken a suite on a cruise ship every year since I became affluent." Sheldon was honeymooning with his brother's ex-wife. He wore big jewellery and she had big hair.

Mario from Ravenna was a heavy-duty Italian tycoon into heavy hand-kissing. His wife spoke no English. Together, we motley 10 ploughed our way nightly through six decent courses of Italian food with an American accent. The wine was rather expensive but the Americans all drank iced tea. Being at sea seemed to have made them amorous. There was more nuzzling than eating.

Waking at sunrise on the second day, I saw a flat coral atoll passing my window. It was Eleuthera in the Bahamas, our first port of call, where Princess Cruises has set up its own watersports resort on a private beach. Here, we were to unwind and take part in a programme called Adventures Ashore, including a beach barbecue. At 9am, the first tenders left with the pirate-clad crew to set up the beach party. How would they move 1,600 people without chaos? The answer: in 20 minutes and without chaos.

After two minutes, my skin was screaming for more sun-block. It was unbelievably hot but almost indecently beautiful under the sea-grape trees and royal palms. On the beach, the Chinese played the Japanese at volleyball and the Italians smooched on loungers. The Mexicans zoomed around the bay in rented speedboats while the British fried, sipped *pina colada*, and read Jeffrey Archer and Jackie Collins.

Aboard, we were spoilt for choice in ways to pass the time. Should we learn bridge or blackjack, or how to fold a napkin into a swan, or scuba diving in the pool? Or join Miss Rhoda Israelove in her seminar on "How to Protect Your Money?" At night, there was the casino and Broadway-style music shows.

With San Juan, Puerto Rico, as the next port of call, the ship's TV relayed endless lectures on where to find the cheapest liquor, gold and diamonds. As we queued to disembark, I got talking with a woman education officer from Borehamwood, Hertfordshire, who said she and her companions were delighted with the cruise. "Where else," she asked, "could four single women see so much in such comfort and safety?"

Some people had booked "A hike in the rain forest", hoping to see the creepie-crawlies. I treated myself to a $80, 40-minute helicopter ride over old San Juan, that 300-year-old Spanish colonial masterpiece. At dinner, the rain forest hikers were glum. "I'll tell you what happens in the rain forest," said the psychotherapist. "It rains. Very hard. And all we saw was one small snail. The best sight was the bus back to the ship."

Sheldon-the-affluent proudly showed off his new and heavy gold bracelet and admitted to being "a real male jewellery freak". His brother's ex-wife sported a diamond "tennis bracelet".

The dress code was "casual" after a day in port. Mercifully, someone was expelled from the restaurant for going barefoot, another for baring his tattoos via a tank top, but these were the only sartorial indiscretions. "Formal", when most men wore a white tuxedo, was interpreted liberally. There were lounge suits, sports jackets, even an eccentric in tweed jogging pants whose pony-tail had been dipped in silver.

Next came St Thomas in the US Virgin Islands where the red roofs caught the early morning sun prettily. Dolphins escorted us into port, the green and hilly capital of Charlotte Amalie. Time for an adventure, we thought, and booked a £17 catamaran ride to the island next door – St John, a national state park – just for the joy of watching glorious yachts in full sail and snorkelling on the reef. On our return to St Thomas, we saw a 3ft iguana standing at a bus stop. Our friends who had seen nothing in the rain forest were livid.

Waiting to dock at Nassau gave me the chance to ask passengers what they had thought of the cruise. The consensus was that it had delivered even more than it had promised. No criticisms, then? Only, it seemed, that people found the drinks – at $3 a cocktail – rather expensive. But they had solved that problem by buying bottles of rum, at the same price, in Puerto Rico.

■ *Catherine Stott travelled with Princess Cruises. Caribbean cruises on the Crown Princess start from £895 a person for nine nights in an inside cabin with private facilities, including return flight and a night in a Miami hotel. Further details: Princess Cruises, 77 New Oxford St, London WC1A 1PP. Tel: 071-831-1881.*

TRAVEL FOCUS – CRUISING

For billionaires who do not own a yacht

***Catherine Stott** cruises round the Baltic on Sea Goddess I, a ship on which even the extremely rich can relax*

IT WAS nice of Cunard to recreate the life style of a billionaire's private yacht party; to package it so beautifully for 100-plus guests; and to make the price so utterly inclusive that money itself is never seen on board.

Cunard has two ocean-going, yacht-style cruisers, Sea Goddess I and II, which rove the world year-round and, with a draft of only 14ft, insinuate their sleek prows into the most secret harbours, exclusive marinas and usually unnavigable rivers.

I joined the Sea Goddess I at high summer in the Baltic and even the foreplay was exquisite: a uniformed chauffeur at the airport, bowing and handing me a long-stemmed rose before speeding through Copenhagen in a limousine to where the Krug of cruise ships, 320ft of pure white, rested seductively at the quayside.

Fleets of Mercedes disgorged well-heeled travellers. Matching six-packs of Vuitton and Hartmann baggage were hoisted aboard. Nancy Reagan lookalikes – size 4 social x-rays – clutched monogrammed jewel cases. Queuing to board, Charles Beckwith, deeply tanned from one of his Caribbean homes, viewed the Scandinavian drizzle with distaste and growled that what he was spending on the cruise could have paid for another Jaguar.

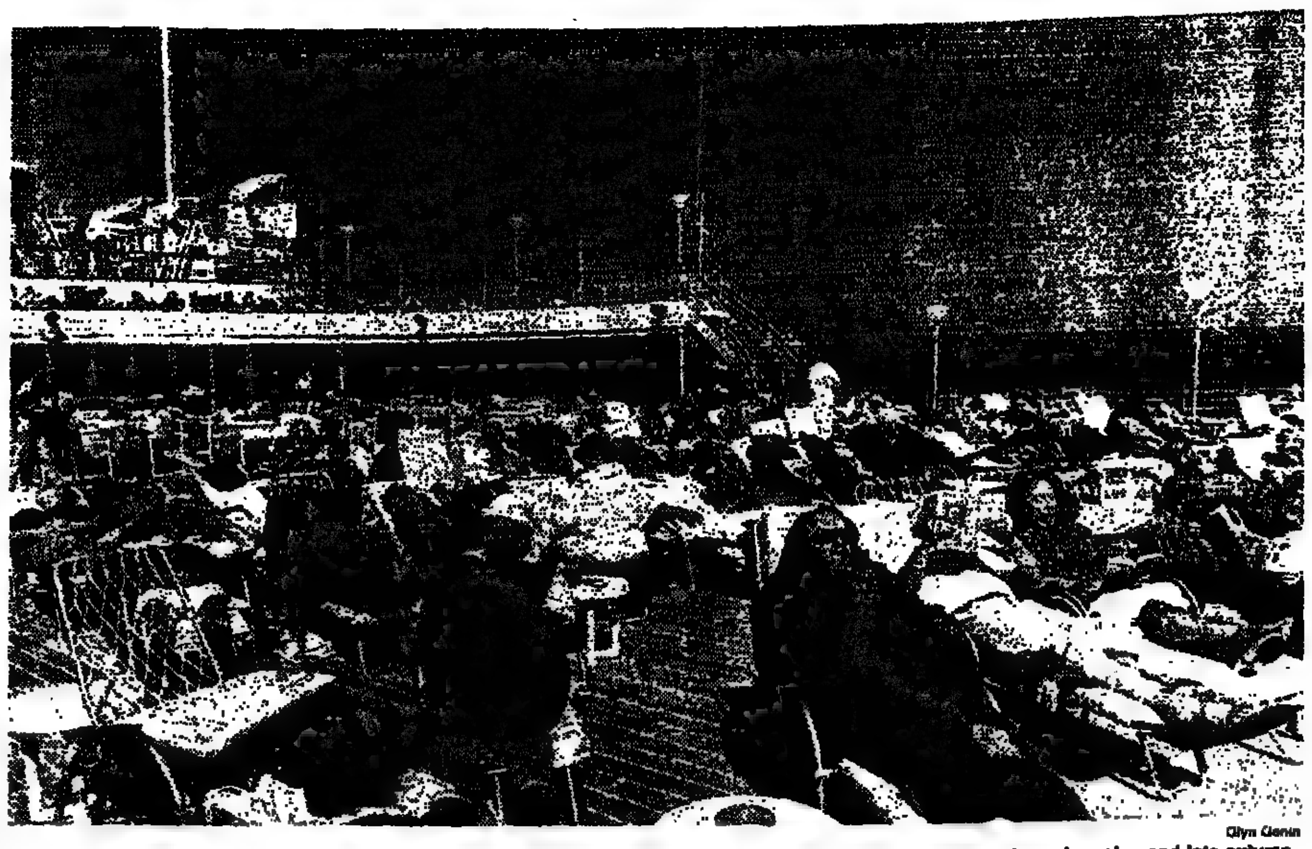
He clutched an alligator briefcase close to his chest. His wise-cracking wife of 40 years said: "Charlie keeps his most precious things in there. His krugerrands and his hair-dryer."

Piped aboard, we were pressed to accept a crystal goblet of champagne, and our first scoop of caviar, in a flower-filled lobby where good Oriental rugs floated on a marble floor. This was the time to evaluate the other guests. Sea Goddess I, it appeared, is very much a yacht for couples, of whichever persuasion. There are 58 double cabins. Even the ultra-spoilt professed themselves impressed by the accommodation, which is designed cleverly. Each cabin has a picture window, and a long wall of blonde wooden units concealing enough closet space even for those who like to change five times a day. There is a safe big enough for your gold bars and a refrigerator inside a private bar which is replenished constantly.

Everyone was much friendlier than on other cruise ships. Perhaps the rich are truly relaxed only with other rich people – and with prices starting at £3,740 apiece for a week's summer cruise in Europe, it is an assumption they can, rightly, make about each other. Everyone said they were "in" something – "in" medicine", "in" movies". One ancient Pennsylvania billionaire said he was "in" coffins.

Friendships formed quickly. People would bag you in advance for drinks and dinner. Otherwise, there was an open seating policy where you filled up the tables as you arrived. The restaurant was pretty and you could dine at any time between 8pm and 10pm. Since the officers and crew are Norwegian, the cuisine tends towards the Scandinavian. The majority of guests were American, but with a selection of Europeans. Ages ranged from 14 to 80 but most people were in their 40s and 50s.

The difference between the *Sea Goddesses* and almost every other cruise ship is the deliberate lack of entertainment; indeed, there is very little structured activity on board. I suppose Cunard thinks that if you are smart enough to have made the kind of money you need for a *Sea Goddess* cruise, you probably have your own ideas on how to spend an evening. There is dancing, however, a little gaming room, and a decent library of books and movies.



Glyn Genin

Sun and sea breezes: cruisers who want to bask in the heat should avoid far-north routes and the Mediterranean in early spring and late autumn

Rather unusually, the ships tend to stay in port until midnight so that guests may dine ashore without hurry. Other, cheaper vessels sail at sundown, knowing that if their passengers have paid for dinner on board, they will not wish to pay for another one.

On the Baltic cruise, the American guests were less than impressed by the first two ports of call. "No shopping – very frustrating," said a Floridian fashion plate as we landed by tender at a speck in the Baltic named Christiansoe, nothing but a 100-acre rock where raucous guillemots and razor-billed auks outnumbered the hardy fisher-folk 100 to 1. Nor did they rave over Bornholm, Denmark's permissive holiday isle, where they complained that all there was to do was watch a million herrings drying like socks on a line.

■ Continued on next page

*Off-piste: **Arnold Wilson** takes risks high in the Dauphiné, **Ian Roger** learns with an expert in Andermatt*

Odyssey through a winter wilderness

AS WE traversed the debris of avalanches beneath the frozen walls of La Meije, blocks of ice the size of a giant fist glistened at our feet.

They had broken off from the myriad *séracs* (ice pinnacles) above us, falling hundreds of feet down the sheer north face. I picked up one of these diamonds. It was as pure as the wind-blown virgin snow we had skied to reach this desolate, beautiful "vallon" (narrow valley). I wanted to take it home as a trophy of one of the most astonishing day's skiing of my life.

Our small, exhausted but triumphant party skied the final mile of the rock-strewn path down to the Col du Lautaret. Our skis were trashed but our spirits soared when the sight we had been waiting for finally appeared: way beneath us on a shelf was the medieval-looking village of La Grave, lights twinkling in the twilight, church bells ringing hauntingly, and with the peaks high above the village still bathed in evening light.

La Grave, a heady 6,500 vertical descent on tough, unpisted terrain, is only one of many classic, off-piste, ski-mountaineering adventures (reaching long, off-piste descents by walking, either carrying skis or walking on them with the help of skins) to be savoured in this part of the French alps: the Dauphiné area around Alpe d'Huez and Les Deux Alpes.

The best base for exploring them is the quaint Hotel Rissiou where Nigel Purkhardt bases his Ski Peak operation in the picturesque Oisans village of Vaujany (1,250 metres) – a more pleasant back door to Alpe d'Huez than the architecturally uninspiring resort itself.

Although it is almost an hour's drive to reach Les Deux Alpes (a mere five minutes by helicopter), it is not necessary to travel further to find off-piste itineraries of almost equal quality. There are endless permutations starting outside your door in Vaujany itself.

Due to a windfall earned from a huge dam and hydro-electric station lower down the valley, Vaujany has one of the world's biggest cable cars linking it with Alpe d'Huez. At night it is tethered, like a huge spacecraft, in the middle of the village, an incongruous sight in such a rustic setting.

Vaujany is not a village you would necessarily seek out while exploring the local slopes. Visiting it, and some of the other mountain village satellites that often remain unseen while skiers concentrate on "motorway" cruising, is rather like getting off the real motorways in France and experiencing the joys of the countryside. We skied to two other such villages – St Christophe en Oisans and then Venosc, locked in an almost claustrophobically beautiful valley – via the most spectacular off-piste run I can remember skiing anywhere in Europe: the Vallon de la Selle.

That we did it on the same day as La Grave (the starting point for both is the Col de la Loze, reached after a 20-minute hike from the top of the Les Deux Alpes ski area) made it an epic day. While piste skiers were clocking up endless runs no more than a mile away, our small group, accompanied by Olivier Laborie, our guide, set off on an off-piste odyssey. Olivier's rucksack was weighed down with ice-axe, shovel, rope, titanium ice screws, and karabiner and pulley for possible crevasse rescue.

Throughout the weekend, we were to ski just four descents. But they were descents of such quality that on the rare occasions that we happened to cross a piste in transit, it seemed almost hum-drum. What is so spectacular about such runs is not necessarily the excellence of the snow – which can change from good to bad to ugly and back again within a couple of dozen turns – but the near-mystical experience of being allowed into the literally and spiritually rarified atmosphere of a desolate mountain wilderness.

The Vallon de la Selle is a prime example. From the Col de la *Loze*, Olivier skied gently over the shoulder to reveal a seemingly endless, steep snowfield. A rocky outcrop dominated our route on the left. The steep, wide chute of the actual run was bathed in sunshine that in an hour or two would make the snow too difficult to enjoy. Our route disappeared into the shadow of the narrow valley below.

A view with room: off-piste and far from the maddening crowd

Skiing a valley like this without a guide would be foolish. Were there any crevasses lurking beneath the snow? If you fell at the top would the snow hold you, or was there a cliff lurking beneath? And, on a more positive note, where was the best snow likely to be?

Usually, falling on such terrain is harmless, if disconcerting. But during our afternoon descent of La Grave, Olivier had us doing a climbing traverse to keep above what looked like an innocent slope. It turned out that not only was there a *rimaye* (a long snaky crevasse usually found where rock and glacier meet) lurking below us, but the slope had all the characteristics of being prone to a slab avalanche.

During a thrilling descent of the Col de la Pyramide, of the Pic Blanc, high above the Alpe d'Huez/Vaujany ski area, we were warned not to fall because there were cliffs which were not obvious from above. A skier falling here could risk serious injury. Indeed, a skier in our party had been saved by Olivier on an earlier occasion when he "caught" her, cow-catcher style, at his third attempt. One must not exaggerate the dangers, but being aware of them is important.

For those interested in pistes rather than off-piste, the Alpe d'Huez skiing domaine offers 107 of them (220 km) almost 90 lifts and 325 snow cannon.

■ *My visit to Vaujany was arranged by Ski Peak, Hangerfield, Witley, Surrey, GU8 5PR. 0428-682272. I stayed at the Rissiou Hotel. Ski Peak also has chalet and apartment accommodation. Prices for a week (half board) range from £300 in January to £450 in February, including scheduled Air France flight from Heathrow to Lyon and transfer. Ski weekends (four nights half board), usually only available in January and April, from £349.*

Secret joys of the hidden valley

MY ENGLISH companion in the Gemsstock cable car groaned as I introduced myself. "Oh no! You are not going to write about Andermatt, are you?" he said. Bob, a retired dentist, was depressed by the thought that the ski resort he has regarded as almost his own for 30 years would become more widely known.

Andermatt, in the Urseren valley in the middle of Switzerland's Gotthard pass, has many special qualities. It is one of Europe's historic trade crossroads, and the town and other villages in the valley retain considerable historic charm and the natives an unexpected openness. The weather is frequently wet which makes for unusually good snow cover in winter.

Andermatt's biggest attraction is that it takes no package tours. During the week, the valley's villages remain blissfully quiet. No lager louts, no overly jolly chalet girls, no designer shops. Just a handful of small, friendly hotels and pensions.

At weekends, a nearby motorway exit makes the resort easily accessible for Swiss and Italian day trippers, but there are ways to avoid them. Andermatt is for serious skiers – such as Bob. "I have tried all the other places, but this is still the best," he says.

The ski area is deceptively large, although from lift and piste maps it actually looks limited, with only the cable car and a couple of drag lifts on the Gemsstock, a couple more drags on the other side of Andermatt at Nätschen and another at Hospental, by the entry to the Gotthard.

Each of these lifts also leads to a vast expanse of off-piste skiing. In addition, the cog-wheel train (included in the weekly lift pass) on the Furka-Oberalp railway runs to the top of the Oberalp pass to the east, and from there a series of pistes and lifts leads down to Disentis in the upper Rhine valley. Off-piste routes lead back to Andermatt.

"We like to get in about 30,000 feet vertical on a good day," Bob said, as I was panting from trying to keep up with him after only one run. There are few resorts in the Alps where it would be logistically comfortable to ski 30,000 vertical feet in a day. The top of the 9,714 ft Gemsstock can be reached in less than 20 minutes. From there, it is an all black run, the initial portion over a glacier, to the town 5,000ft below. Or, like Bob, skiers can plunge through powder most of the way.

If all this sounds too macho for the average intermediate, do not despair. Andermatt is a good place to *learn* to be a serious skier. The resort has two specialist off-piste guiding and instructing organisations.

After two outings with Alpine Adventures, run by Canadian John Hogg, I can confidently say that if there is safely skiable powder to be found in the region, John will find it. If it is not within reach from the lifts, he will put climbing skins on pupils' skis and take them up to nearby glaciers to introduce them to the joys of ski touring.

I joined him feeling a little apprehensive: there had been no fresh snow for a week and crowds of day trippers could be expected. The well-known off-piste runs from the Gemsstock had been skied out and most of the rest had deteriorated into crud.

But John led our group of five up a little-known shoulder of the Gemsstock and down a steep, untouched chute into the Unteralp valley. For most of the way, the snow was surprisingly good. Then we went up and down the broad north face of the 8,500ft Winterhorn above Hospental a number of times without meeting another skier. The conditions varied mainly from breakable to unbreakable crust, but every so often we came across some good powder. As John said: "If you can ski in this stuff, you can ski in anything."

An intermediate looking for the next leap may find Andermatt is for them. Do not tell anyone. Bob would be upset.

■ *Ian Rodger travelled with Alpine Adventures in Andermatt, Switzerland. Tel: (41-44) 68-353. Fax: (41-44) 68-243.*

■ From previous page

Most did not go ashore in teeming rain in Gdansk and Tallin where we Europeans paddled about cheerfully marvelling at the medieval architecture; the tall, gabled houses with brightly tiled roofs; and the radial, cobbled streets.

The mood lightened on reaching Helsinki, that great white northern city of the sea, with the architectural set-piece of Senate Square at the centre of a perfect, 19th-century town plan. The Americans were looking forward, they said, to buying fur coats and fine china. No one had told them that Helsinki is one of the world's 10 costliest cities. They bought nothing.

Our long and dismal entry into St Petersburg was accompanied by a humorous commentary from the Norwegian captain (if that is not a contradiction). On the first of our two days there, we were driven in the roughest bus most of these people had ever seen to the Catherine Palace at Tsarskoe Selo.

It was rum to be in the company of heavy-duty capitalists who mistook the little *dachas* round about for garden sheds. Seeing a fat peasant woman cycling with an even fatter pig in her basket just made their day. "This will be our first vacation when you haven't bought a house," joked a Texan to his wife.

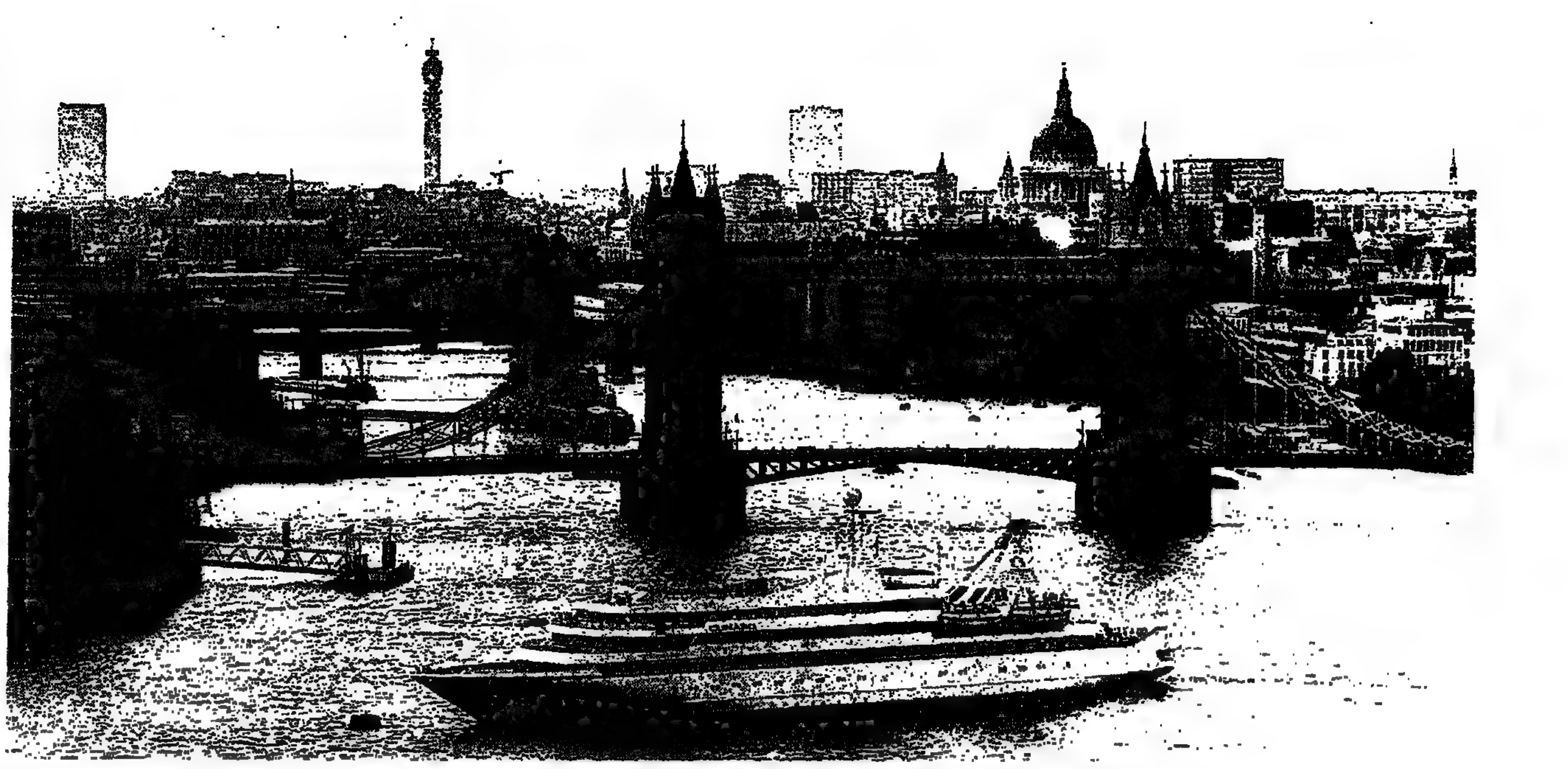
Back in the big city, we had a drama outside the Winter Palace. A New York dentist, thrilled at his success in haggling over Russian army watches with a black marketeer – "Ten for $100: they sell for $200 each on Fifth Avenue: that's all my Christmas presents taken care of" – discovered his wallet, containing 25 gold and platinum credit cards, had been lifted during his transaction. For some reason, the collective mood was not one of unalloyed sympathy.

After St Petersburg, the *Sea Goddess I* meandered in limp

'The heavy-duty capitalists mistook dachas for country sheds'

sunshine around the summer fleshpots of Scandinavia. Both *Goddesses* have a safe platform for water sports and ocean swimming. It is used in tropical waters, if calm. In the chill waters of Lake Malaren, not far from Stockholm, only the hardy Scandinavian stewardesses took advantage of it.

■ Catherine Stott was a guest of Cunard. A seven-day Goddess cruise in European waters costs from £3,740 a person including flight, meals, drinks and tips. Details: Cunard, 30a Pall Mall, London SW1 Y5LS. 071-491 3930.



Small but opulent: Sea Goddess I in the Pool of London. It carries just over 100 passengers and its shallow draft means it can reach those places that other cruise ships cannot

Glyn Genin

Tripe soup and Colombus, too

***Sebastian Hope** treads in the explorer's footsteps as he discovers the Dominican Republic*

IT USED to be said that on the day the Colombus lighthouse was finished, President Balaguer would fall – which goes to show that prophesy in the Dominican Republic is as reliable as the electricity.

Colombus Day last year – October 15 – came and went. So did the pope, who turned on the beacon and declared the lighthouse open officially. It was the climax of the celebrations for the 500th anniversary of the discovery of the Americas. Everyone was more surprised that the lighthouse's lasers, visible from space, left the capital's fuses intact than to find the blind Balaguer still in power next day.

The lighthouse is a lump of reinforced concrete in the shape of a cross. It houses the "remains" of Colombus and a museum of colonial history, since it also commemorates the start of evangelisation of the new world.

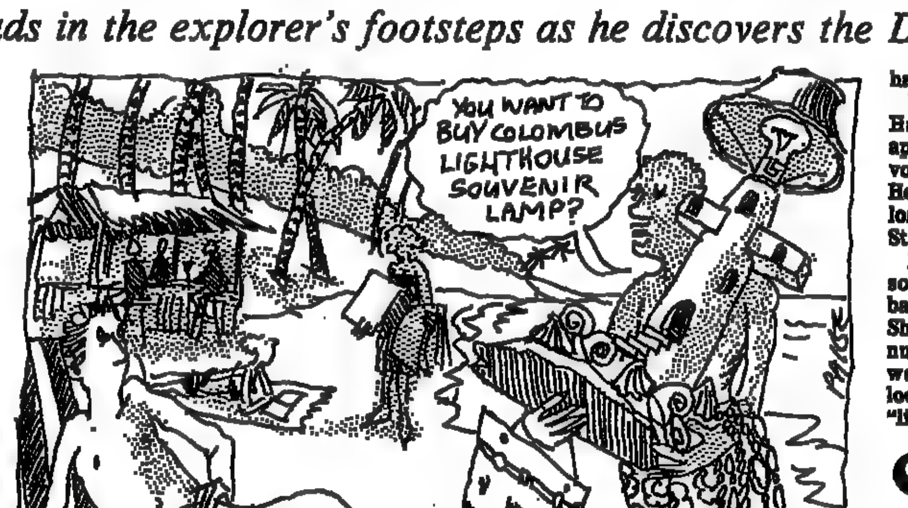
Turning my back on the lighthouse, I headed for the 3,175 metres of Pico Duarte, the highest mountain in the Caribbean. It stands in the Armando Bermudez national park, which contains Hispaniola's last extensive forest. The drive to La Cienega, the northern gateway to the park, showed what happened to the rest.

Every accessible acre was covered with crops and breeds of livestock that thrive in the mountain air. It was a pretty enough rural scene, but the dry gulches opening up in old stream beds showed the underlying fragility of this arrangement with nature. I had fallen in with some young Americans in Manabao, where we engaged a guide and his mules. Juan met us at dawn at the park HQ, and we set off across a rope bridge on the three-day walk to the mountain's top and back. Beyond the river we plunged into forest, palms and hardwoods giving way to open pine woodland as we toiled upwards. It seemed that to climb the highest mountain, we also had to climb the second highest. It took five hours to reach the shoulder, and another hour to the base camp hut.

We woke before dawn, shivering on dustbin bags filled with pine needles. Outside, there was a frost on the ground, and golden light was beginning to spread across the peaks. Lone trees poked through the mist in the valleys.

The summit, not unusually, was a slight disappointment. There is no tree line and so no feeling of having climbed to a higher, clearer plain. There is even a bust of Duarte, father of the republic, at the very top. In his line of vision, a column of smoke rose from the forest. By the following day, it had become a curtain.

The air in the cane cutters' barracks of Magdelena was thick with magic. The moon had not yet risen. I had been brought here to see a holy week festival peculiar to the cane villages. The dancers had red cloths tucked into their waistbands and baseball caps covered in curls of red ribbon. They blew whistles and twirled silver batons. The only sign that this was an Easter occasion was a placard of Jesus, with bleeding heart, on a pole trimmed with more red ribbon.



The noise, and the violence of the dancing, was unnerving. When I produced a camera, hands came from everywhere, open for money: hard, cane-cutters' hands.

We knocked at a door. Presently, the Haitian obeah woman, very black, appeared, asked for money in a cracked voice, and sent out for rum and cigarettes. Her altar was a magpie's nest: a bell, a long dagger, pictures of the Virgin Mary, St George slaying the dragon.

Her actions seemed furious. She slapped some bent playing cards together and banged them one at a time onto the altar. She said she told fortunes and sold lottery numbers for a share of the winnings. We were sent away with potions which looked like shampoo labelled "luck" and "life" and "love".

Sabana de la Mar comes alive only when a ferry is due. Most tourists pass through en route to the secluded beaches of the Samaná peninsula, on the country's northern coast. At other times the jetty is dead, and the bay is left to the pelicans and the fishermen who wade its margins.

It was the nearby Los Haitises national park that had drawn me. Its caves once were inhabited by the Ciguayo Indians and the shell middens in them looked fresh. The walls held carvings of long faces. There were drawings of birds, fish and figures in sharp black lines, the art of an imagination and way of life long extinct.

After this, Santo Domingo's Zona Colonial, the first city of the Americas, came to symbolise only past injustices for me when I returned to it. The first fort, cathedral, university, monastery and courtroom – all built in the early 16th century – appeared to me as the machinery of genocide. It made me more comfortable to know that Drake sacked the place in 1586.

Beyond the walls of the old city, there is a low-rise sprawl: apocalyptic, engaging, even charming – a circus of traders with their goods on their heads, a supermarket on the move, the streets filled with vehicles. I found sanctuary at La Llanera Famosa, a bar two streets away from the nightly gauntlet of prostitutes on Avenida Duarte. It was an oasis of light in the frequent blackouts, a generator purring outside. Here, I was introduced to local tastes in food and music, the former including pigs' trotters, beef shins and conch. I discovered that there is nothing more sustaining at 4am than tripe soup.

On my last night, Heracelis, the waitress, arranged for a wandering merengue band to come and play for me. Three men appeared with accordion, drum and scraper: instruments of European, African and Indian origin. The plaintive vocals told of luck, life and love. Heracelis grabbed my arm. Dancing to the impossibly up-tempo rhythms, everything started to make a little more sense.

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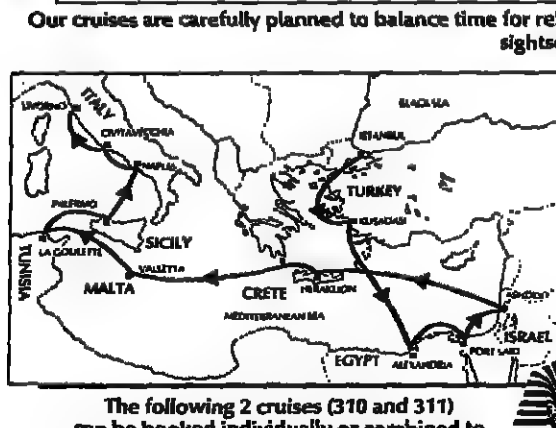
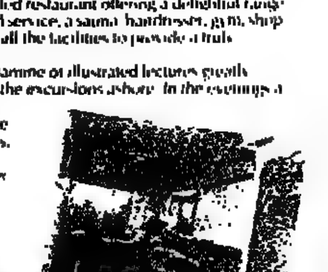
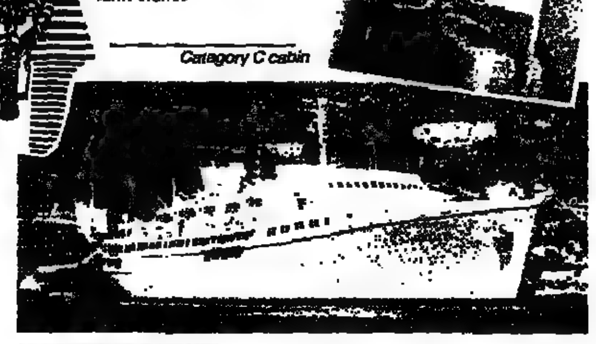






At Angkor Wat, the heady whiff of danger lingers on

***Nicholas Woodsworth** accompanies two heads of state on a watchful visit to Cambodia's crowning glory*

LIKE MANY of the people who fly into the little town of Siem Riep on United Nations' military transport planes these days, I was not strictly on business. Perhaps half the UN personnel in the aeroplane hold into which I had climbed at Phnom Penh were in uniform. The others – soldiers, electoral officials, policemen, Foreign Legionnaires, interpreters, journalists, secretaries – were dressed as brightly and indiscriminately as sightseers anywhere. Given half a chance to visit one of the world's great attractions for free, the tourist that hides in us all comes bounding out. We were all taking a little time off to see that architectural wonder, the ruins of Angkor Wat.

Cut-rate tourism in Cambodia does carry its risks. The night I flew into Siem Riep, several small groups of Khmer Rouge guerrillas made their way into town from the thick surrounding forests and began shooting. From the Grand Hotel, tourists were treated to the spectacle of tracer bullets flying through the dark from several directions. During the attack, the Khmer Rouge looted houses and shops and stole a dozen valuable statues from the warehouse of Angkor Conservation, the body responsable for preserving the ruins. Three people were killed and about 30 wounded.

No one believed the action had any strategic object. In the smouldering conflict between Cambodia's four armed political factions, such incidents occur almost daily. Far more likely, however, was a symbolic value attached to the operation. Angkor Wat lies at the very heart of Cambodia's collective consciousness. In an age of social upheaval and chaos, it is material proof of Khmer civilisation, of a sophisticated, cohesive and artistic people who created architectural marvels 1,000 years ago. Far more than a tourist site, it is the one unifying national symbol on which everyone agrees. As Prince Norodom Sihanouk – head of Cambodia's royal family and the country's strongest link with the past – has acknowledged, whoever holds Angkor holds Cambodia.

The Khmer Rouge might not be strong enough to launch a full-scale offensive against government positions around Siem Riep. But, in mounting such a raid three days before the arrival at Angkor Wat of that most distinguished of French tourists, President François Mitterrand, they were showing they could strike anywhere and at any time with impunity.

Forty years ago, travel writer Norman Lewis noted that French colonial tourists and dignitaries visiting Angkor Wat – the centrepiece of any trip to French Indochina – felt a certain frisson of pleasure in being accompanied on their sight-seeing jaunts from the Grand Hotel by armed guards. They found that a slight whiff of danger and banditry added immeasurably to the exotic cachet of travel in foreign parts.

The days of luxury travel are over and the Grand Hotel no longer lays on armed guards. None the less that whiff, somewhat sharpened now, continues to add a certain thrill when you visit the ruins.

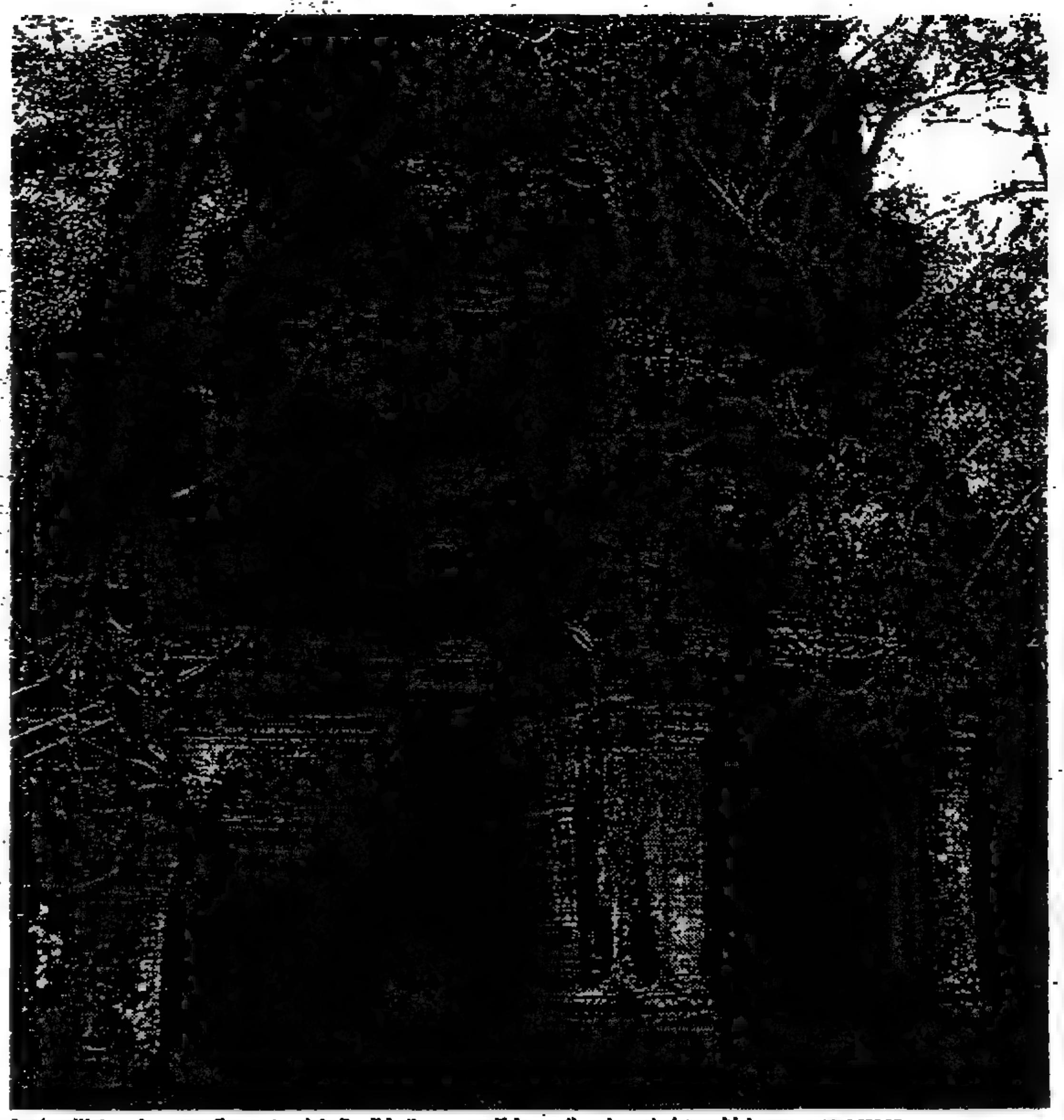
Cambodia's long string of wars and civil disturbances over the past two decades have had one positive, unintended effect: they have saved Angkor Wat from gross commercialisation. Had the country been at peace, there would now be as many souvenir shops and tourist bus-stands sprawled around Angkor as there are around the pyramids at Giza, the Moghul tombs of Agra, or the Mayan ruins of the Yucatan. The few visitors that do come to Angkor today are swallowed up by these vast ruins spread over many miles; on an ordinary day, you can tramp about for hours without seeing a soul.

Angkor's 100 or so temple sites are in themselves exquisite: complex, finely detailed, geometric expressions of man's need to place himself firmly and eternally at the centre of the universe. What makes them more than simply exquisite, and gives them their ability to inspire mystery and supernatural awe, is their hard juxtaposition to nature in its rawest and most undisciplined form.

The impression made by 11,000 bas-relief figures – as you find on the stone walls of the temple known as the Bayon – is heightened many times over by the fact that they sit lost in the middle of a tangled, tropical jungle. The world inside the temples is one of precision, order and the endless repetition of a limited number of Hindu and Buddhist themes. The world outside is one of abandon and natural disorder where no two objects – leaf or vine or slithering insect – resemble each other exactly. It is this contrast which makes Angkor's magic.

Too much magic can overwhelm the simple soul. After two days of visiting one mausoleum, pyramid, temple, tower, terrace, pool and funerary complex after another, I began to feel a deep angst slipping over me. If the monumental efforts of eastern despots to find immortality – here translated into millions of man-hours of painstaking labour – now lay in ruin with origins forgotten and purpose ignored, what was the point of my own paltry efforts? What was the point of anything at all? I began looking once again at the temporal and impermanent, and found it just as interesting.

On the day of my arrival, I rented a small motorcycle and began puttering about the roads linking one far-flung temple complex to another. Life rolled along in its slow, Cambodian country way. Girls in bright clothing and straw hats rode by on ancient bicycles. Old men sat by stone-carved friezes in the forlorn hope of selling coconuts to visitors. Government soldiers at Angkor's two dozen road-side military posts dozed over their rifles in the noon-time heat.



Angkor Wat . . . far more than a tourist site, it is the one unifying national symbol on which everyone agrees

On the second day, things picked up abruptly. On the three-mile road leading from Siem Riep to Angkor Wat, flags and banners were set out in profusion. The bases of roadside trees were given fresh daubings of white lime. At the newly renovated Terrace of the Elephants in the dead city of Angkor Thom, archeologists of the *Ecolè Française d'Extremé Orient* hoisted a shiny new sign proclaiming their work. UN graders smoothed over pot-holed roads. Experts checked the undersides of bridges and spires of temple gates in case of mines. There could only be one reason for such a hubbub. Accompanied by Sihanouk, Mitterrand – "the first foreign head of state to visit Cambodia in 23 years – was on his way.

The following morning, four hours before the president was due at the ruins, I went out to see the sun rise at one of the loveliest of Angkor's temples. Ta Prohm sits in an isolated spot deep in the forest. Despite its distance from town, it is one of the most popular of all sites. Left unrestored, purposely, its slow invasion by the jungle exceeds even our most romantic image of what a lost civilisation should look like.

I did not, however, see the sun come up over the misty green jungle and grey stones of Ta Prohm. Two hundred yards from the temple gate, I was stopped by a lengthy exchange of automatic gunfire that was far too close for comfort. A minute later, two Cambodian soldiers popped out of the woods onto the road clutching Kalashnikovs and calling in reinforcements over their walkie-talkies. "Pol Pot! Pol Pot!" they shouted, pointing into the woods and waving me back down the road. I turned my motorbike around and buzzed away. Where the Khmer Rouge is concerned, you take little time to heed warnings.

A few hours later, though, no one would have imagined there was a single Khmer Rouge villain within 100 miles of Ta Prohm. The entire area was patrolled by 800 French soldiers. I sat by the temple gate in the company of half a dozen heavily armed *Legionnaires* with blue berets on their shaven heads and bright, tricolour flashes on their shoulders. Armoured personnel carriers lay concealed in the woods. Military helicopters droned through the sky. Camouflaged sharp-shooters waited calmly beside trees and on the tops of temple walls.

Five minutes before his arrival, Mitterrand's communications team arrived and set up a mobile satellite dish by the roadside. A few seconds later, the president's personal security men roared up in a white UN jeep.

Only the tell-tale wires behind their ears identified them as such; otherwise, they looked like fashion-conscious gangsters. They wore dark glasses, pale lavender or rose shirts, flower-patterned braces, and had snub-nosed .38s shoved into the waistbands of their trousers. They were sweaty, covered in dust, and seemed to be enjoying themselves. A Legion captain blew a whistle. *"Trois minutes, les gars!"* he shouted. *"Dans le vert!"* [Into the bush]. The sharp-shooters melted invisibly into the background.

Preceded by white-uniformed policemen on white motor-cycles, the president's cavalcade pulled up at the temple gates in a cloud of dust. In the famous floppy hat he wears on all warm-weather pilgrimages, Mitterrand stepped from one side of a vehicle flying the French flag, Sihanouk from the other. He looked happier than the prince as they made their way about the ruins. Mitterrand chatted casually with straw-hatted Roland Dumas, his foreign minister, as they examined friezes and dancing temple girls carved on stone. *"Magnifique! Magnifique!"* they murmured to each other.

Sihanouk, looking grim, followed. Not even a return to the source of Khmer greatness could hide his own frailty and ill-health. Dabbing a hankerchief to his mouth occasionally, and supported under both elbows, he was led about by dead-eyed North Korean bodyguards who made the temple carvings look animated. It was all over inside 15 minutes; as a piece of tourism, it was something less than spectacular. But Angkor's strange civilisation had once again served its eternal symbolic purpose. As a security operation and public relations exercise in an area risky enough to have delighted even Frederick Forsyth's Jackal, it was, quite simply, *magnifique*.

As satisfied as the *Legionnaires* who emerged from the bush to quaff cold drinks, I hopped on my bike and followed the cavalcade back down the dusty road towards our own strange civilisation.

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RECORDS

Whistling a happy tune

Richard Fairman rounds up the musicals

IT IS ten years since Leonard Bernstein went into the studio to make a modern recording of his 1950s hit, *West Side Story*. The success of that project started a trend which is still in full swing today. A stream of other revivals has followed, some going for glitz with all-star casts, others archive-worthy recordings using all the tools of musical scholarship. The question is – what makes a musical deserve immortality?

The King and I is one that has never fallen from favour, which is presumably because it has two crucial ingredients. The story still feels up-to-date, as it manages to combine both sexual and racial issues, and the score has a wealth of good songs. Philips's new recording of the show, following on other Rodgers and Hammerstein favourites given the 1980s treatment, offers 75 minutes' worth of music, which makes it a good deal longer than the famous old soundtrack with Deborah Kerr and Yul Brynner (though not the 1977 Broadway revival album).

Completeness, however, is only half the story. Like most of the new recordings of the last decade, this one has never been near a stage. At all those moments when the music should make the listener want to get up and dance, John Mauceri and his orchestra have their noses in the score, making sure textures are nicely balanced, rhythms neat, speeds judicious. There is just not enough showbiz excitement around.

Admittedly, it cannot be easy to remake *The King and I* without the King. (Yul Brynner, star of the show from day one, played the part more than 2000 times.) Ben Kingsley would seem a good choice for the role, but in practice he is tame, lacking the "controlled ferocity" that Richard Rodgers so admired when he saw Brynner in audition. The supporting cast includes Lea Salonga and Peabo Bryson, the latter sounding quite adrift, as the young lovers who "kiss in the shadows". Marilyn Horne makes a guest appearance for Lady Thiang's big solo. Roger Moore and Martin Sheen, no less, turn up in bit parts.

The outward impression is of a constellation of celebrities. But, in the end, there is only one star in it. Julie Andrews had never appeared in *The King and I* before this recording, but if ever an actress and a role seemed destined for each other, it is Miss Andrews and the fair-minded, well-educated British Governess, always ready to "whistle a happy tune". The voice is still delightful; every word is made to count. For her, at least, the disc rates high as a comeback album.

Brigadoon is mere escapist fantasy. The interplay between the sexes is pure 1940s romance; and if the clash of cultures experienced by two brash young Americans stumbling upon a mythical village in the Scottish highlands was meant to have any political relevance, that has long since faded into the background. What is left is a gentle love-story cloaked in the mist of Scottish legend, set to a sentimental score in the most typical Lerner and Loewe style.

This new EMI recording is also a studio production and by rights should also have turned out untheatrically flat. Instead, it is a delight from start to finish. As Tommy and Jeff approach the spot where the village of Brigadoon is about to materialise for its single day of the century, a choir of voices is heard in the distance. A haze comes over the sound and the Brigadoon magic starts to work. Just enough of the dialogue is spoken to allow the listener to follow the story and the result is a recording which captures both the letter and the spirit of the musical.

Again, there is more of the score than usual. Neither the original Broadway cast excerpts (recorded on six 78s) nor the film soundtrack in its current CD incarnation goes much beyond the half dozen favourite numbers. This recording includes extra dance material and background music, all woven carefully together. It has a lovely Fiona in Rebecca Luker and a dreamily romantic Charlie from John Mark Ainsley, while Brent Barrett's Tommy, fresh-voiced and eager, is the match of any that has gone before, Gene Kelly included. Only the Scottish accents give pause for thought: not many of these would dare to be heard North of Watford.

There is not much social comment to be found in *Lady, be good!* either. This was the first success of the George and Ira Gershwin partnership, dating from 1924, before the brothers were so ambitious as to take on shows like *Let 'em eat cake* – topical, satirical musicals, with a message. The term "musical comedy" might have been invented for *Lady, be good!*, since the book amounts to little more than a peg of a comic sketch, on which a selection of typically stylish Gershwin songs are hung.

The original Broadway cast included Fred and Adele Astaire, Ukelele Ike and a popular piano duo. All needed – and were given – solo opportunities. The clutch of songs includes, as well as the title song, the duets "So am I" and "Hang on to me" and, most famously, "Fascinating rhythm". As stars joined or left the show, other musical numbers came and went. In trying to put together authentic recordings this Gershwin series has been working overtime. *Lady, be good!*, which never existed as a single score, poses more questions than can be answered; but the present CD includes all the major numbers associated with the show either in the original orchestrations or new ones as close in style as possible. The show may not add up to more than a series of party turns – but those are certainly winners.

Julie Andrews: delighted in 'The King and I'

Scrooge began life not as a musical, but as a film. Instead, a theatrical version, using the same book and music by Leslie Bricusse but with extra songs, was playing at Birmingham's Alexandra Theatre. A recording of that production has since appeared and it is vividly headed by Anthony Newley as Scrooge, who manages to tread a subtle line between deep-seated misanthropy and just-pretend grouchiness. The music follows in the traditional line of British musicals – homely stuff, given a helping hand to lodge in the memory by the inclusion of a few well-known carols. Jon Pertwee and Stratford Johns also join in the performance, which has plenty of seasonal energy.

Nine is a Broadway hit from 1982 that never reached London on stage. Like so many 1980s musicals, it aspired to break new ground. Ostensibly the plot concerns an Italian film director, who sees himself as "Christ, Mohammed and Buddha" rolled into one. Early on, however, the show evolves into a montage of past and present, reality and hopes, as the director searches for himself in his latest project (Fellini's *8½* casts long shadows). There is a lot of artistic navel-studying, accompanied by not very memorable music. But this recording was taken immediately after a concert performance at the Royal Festival Hall last year and it catches Jonathan Pryce as the over-sexed Guido, Ann Crumb and Elaine Page, all at white heat. If only the revival recordings could muster half its élan.

■ The King and I. Hollywood Bowl Orchestra/Mauceri. Philips 438 007-2
Brigadoon. London Sinfonietta/McGlinn. EMI CDC 754481-2
Lady, be good! cond. Stern. Elektra Nonesuch 7559-79308-2
Scrooge. Original cast recording. TER CDTER 1194
Nine. London concert cast/Higgs. TER CDTER2 1193 (two CDs)

Lords of two 'Rings'

THERE MAY no longer be quite the sense of pioneering achievement in completing a recorded *Ring* there was in the heyday of the LP a quarter century ago, but such events still remain noteworthy. Bernard Haitink's cycle for EMI and James Levine's for Deutsche Grammophon have joined the versions by Furtwängler, Solti, Böhm, Boulez, Karajan, Janowski and Goodall (sung in English) already available on CD and there are more to come: Decca is planning another with Dohnanyi, based upon concert performances in Cleveland, while Barenboim's Bayreuth performances in the current Kupfer production will doubtless appear on disc and video before too long.

Although the choice is already wide, the second halves of the two new *Rings* undoubtedly offer a number of first-rate performances, even if they hardly ever threaten the long-lost Golden Age of Wagner interpretation. They have serious shortcomings but contain much to admire. That both conductors have explored the cycle in the opera house while engaged on the recordings, Haitink at Covent Garden and Levine at the Met, would have been a matter of course a generation ago; now, with the seemingly unstoppable hegemony of the recording industry, it becomes a definite, promotable asset.

The strength and good musical sense of the conductors are the most stable characteristics of all four sets. To generalise dangerously, Haitink's approach is the more naturally expressive, the fiercer and less compromising in his approach to texture and pacing; Levine is the more affectionate, more inclined to go after the lyricism and to highlight it when found. On average, too, Haitink's pacing seems tighter; the differences may be often small but the overall effect is considerable. There is always a sense of the performance leading somewhere with him, of the drama propelling the musical argument rather than, as sometimes with Levine, being held back by it.

Even in such a relatively straightforward showpiece as Siegfried's Funeral March from *Götterdämmerung* Haitink's sense of momentum and unfussy sculpting gives the music a sense of power and lowering grandeur that becomes just empty rhetoric with Levine. And at the opposite end of the scale it is Haitink who invests the chamber textures surrounding some of Siegfried's quieter reflections with luminous detail; his orchestra, the Bavarian Radio, is consistently well ahead of Levine's own Metropolitan Opera band in its refinement and idiomatic phrasing.

Were selecting a *Ring* just a question of the conductor, then, Haitink's versions would edge ahead of those of his rival. But singers complicate matters, and in this case make them anything but clear. In EMI's roster the men outpoint their female colleagues by a fair margin; for DG the balance is reversed. In the second half of the cycle at least the presence of James Morris in both casts is less intrusive; for both conductors his Wanderer in *Siegfried* is the familiar mixture of suave good manners and serene detachment, putting not a note out of place but never engaging with the material either. He seems one-dimensional alongside Siegfried Jerusalem's attractive Siegfried for Haitink, better matched to Reiner Goldberg's performance for Levine.

Jerusalem's intelligent singing is one of the EMI sets' real

Thomas Hampson: flexible and lithe singing as Gunther

vocal strengths; the timbre may not be sufficiently heroic for some, and certainly it is effortful in the top register, but he comes into his own in *Götterdämmerung* with some beautifully sustained quiet singing and a response to the text that is always far sharper than Goldberg's stolid, four-square declamation. Jerusalem's exchanges with Peter Haage's Mime in *Siegfried* are much livelier than in the equivalent passages for DG, where Heinz Zednik is unconvincing; when combined with Thomas Hampson's Gunther and John Tomlinson's Hagen in *Götterdämmerung* the performance attains a very high level indeed. Hampson's flexible and lithe singing is unconventional yet works wonderfully; Tomlinson's baleful performance is terrifying and genuinely disturbing, where Matti Salminen's Hagen for Levine offers woolly power and little more.

After that, though, with Haitink the doubts set in. Among the women Marjana Lipovšek makes an efficient Waltraute, without ever revealing the intensity she manages elsewhere; Eva-Maria Bundschuhe is an unexceptional Gutrune; Anne Sofie von Otter is predictably outstanding as the second Norn. In the equivalent roles for Levine Hanna Schwarz brings much dramatic interest to Waltraute, and Cheryl Studer is vocally much more alluring than Bundschuhe. His Woodbird is Kathleen Battle, Haitink's is Dame Kiri; *chacun à son goût*.

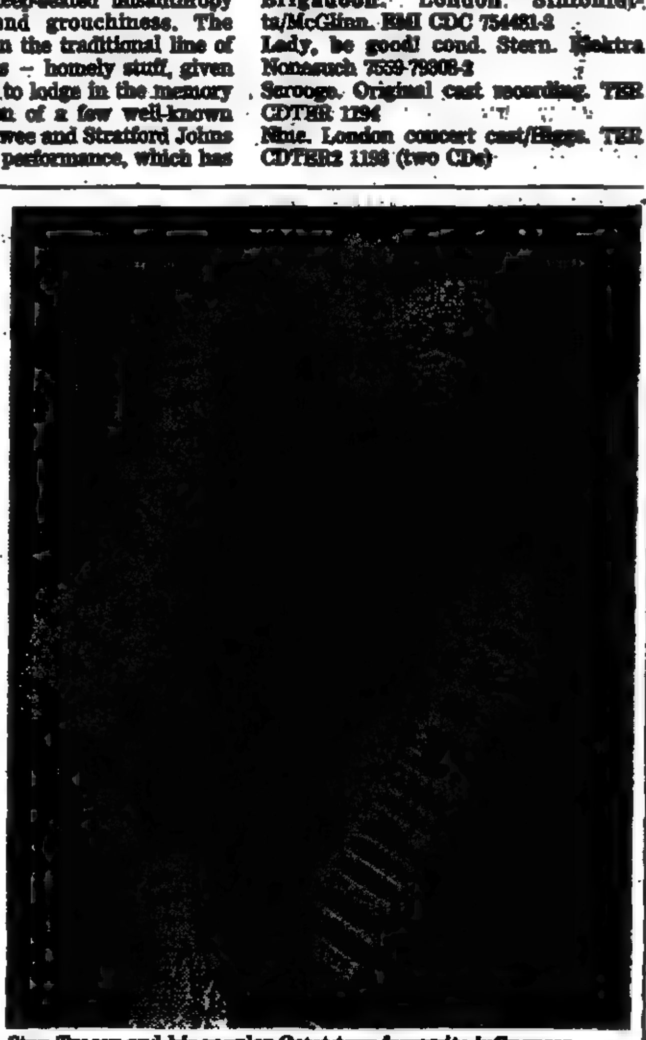
But when it comes to the Brunnhildes personal taste hardly enters into it. Eva Marton for Haitink hardly utters a phrase in either opera that falls gently or gratefully on the ear; everything is forced and the tone quality consistently harsh, with precious little singing below a generous forte. It turns the final scenes of both operas into tests of endurance. While Hildegard Behrens is not the most naturally powerful of singers and sometimes lapses into an alarming vibrato, she does at least produce some moments of genuine beauty for Levine and never has to resort to high-pressure bawling. There is an emotional breadth to Behrens' performance, genuine light and shade, which quite eludes Marton.

For those for whom any *Ring* cycle stands or falls by the quality of its Brunnhilde Haitink's will inevitable seem fatally flawed. That is an enormous pity for there is much to admire for anyone willing to withstand the intermittent aural assaults. The rewards of Levine are real but less compulsive; there is nothing to offend or to thrill, just solid workmanship pervading all aspects of the performances.

Andrew Clements

■ Wagner: Siegfried. Jerusalem, Marton, Morris, Adam, Haage, Rappé, Rydl, Te Kanawa. Bayerische Rundfunk Orchestra/Haitink. EMI CDS 7 54290 2 (four CDs)
Wagner: Siegfried. Goldberg, Behrens, Morris, Wlaschiha, Zednik, Svendén, Moll, Battle, Metropolitan Opera Orchestra/Levine. Deutsche Grammophon 429 407-2 (four CDs)
Wagner: Götterdämmerung. Jerusalem, Marton, Hampson, Tomlinson, Bundschuhe, Lipovšek, Adam, Van Nes, Von Otter, Esglen, Kaufmann, Hermann, Hagen, Bayerische Rundfunk Orchestra and Chorus/Haitink. EMI CDS 754485 2 (four CDs)
Wagner: Götterdämmerung. Goldberg, Behrens, Weikl, Salminen, Studer, Schwarz, Wlaschiha, Dernesch, Troyanos, Gruber, Hong, Kesling, Parsons, Metropolitan Opera Orchestra and Chorus/Levine. Deutsche Grammophon 429 385-2 (four CDs)

Potted jazz portraits



Stan Tracey and his regular Octet tour favourite influences

PIANIST Stan Tracey OBE got his gong in 1986, but a major record deal has been longer in coming. His music, learnt with the top big bands of the 1950s and shaped by a long stint as Ronnie Scott's house pianist in the 1960s, is a ubiquitous part of the UK club scene. In *Portraits Plus*, a debut for the Blue Note label (0777 7 80696 2 1), Tracey takes his regular Octet on a tour of his favourite influences – Ellington, Monk, Rollins and Gil Evans. "Clinkscales", which could almost be an onomatopoeic description of his technique, contains all the characteristic components of Tracey (Mrs Clinkscales was apparently Duke Ellington's piano teacher). Brisk chorus swapping between saxophones – Peter King's alto features here – trombone and trumpet is underpinned by Tracey's idiosyncratic accompaniment and son Clark's clattering drum fills. Tracey's exuberant arrangement and original writing fits the Blue Note label perfectly and thanks are due to the Arts Council whose funds helped put him there.

I wonder if Tracey ever accompanied US altoist Jackie McLean during his time at Ronnie's? McLean ran with the likes of wayward young Miles Davis and Charlie Parker in the 1950s and lived to tell the tale. *Rhythm of the Earth* (Birdology 513916-2), a disc full of original compositions, shows his caustic lines and leadership qualities to be undimmed. After a wobbly start with an overlong title track, McLean's young septet (which features Roy Hargrove on trumpet and Steve Nelson on vibes – the others are students of McLean's) digs into characteristically giddy conversation between horns and rhythm section. The writing, shared by pianist Alan Jay Palmer, is tart and to the point.

New writing and recording is traditionally outnumbered on the jazz shelves by re-issues from that golden period of 40 years ago and the firm establishment of the CD coupled with the onset of DCC and Minidisc will only maintain the trend. Art Blakey, the electrifying drum force behind the seething sound of the Messengers, left a huge recorded legacy perfect for compilation and re-issue. Blue Note's three disc *The History of Art Blakey and The Jazz Messengers* (CDP 7 97190 2) is a potted but nevertheless vital addition which traces the Messengers' make-up through the 40 years from 1947. No small group could swing like a Blakey band, the drummer's irresistable pulse and cross rhythms drove his distinguished soloists on (trumpeter Lee Morgan replaced Kenny Dorham, then came Freddie Hubbard and later Wynton Marsalis): the man's contagious enthusiasm fired new writers (Horace Silver, Bobby Timmons and Wayne Shorter, most notably).

If it is easy to have a favourite Blakey period, it is less easy to define Lady Day's most appealing years. Verve's 10 disc box lays bare Billie Holiday's last years, 1945-59. It is widely held that the slender but strong voice of the 1930s was the singer's finest and that by the 1950s, only an emotional cripple could derive any pleasure from her ravaged tone. But this collection, first released as a limited edition with encyclopaedic notes and graphics and now available at £75 in a slightly less luxurious package (*The Complete Billie Holiday on Verve*; 517658-2), shows Billie in good and bad shape, in conversation and in the company of her favourite musicians. It is a revealing, musically rewarding snapshot of one of jazz music's most enduring characters.

Those of you with a more limited budget, attention span and emotional resource could do worse than to try the late Dinah Washington's *For those in love* (Emarcy 514073-2), a "special price" disc from a 1955 session which has the vocalist riding easily alongside a relaxed octet directed by Quincy Jones.

Garry Booth

Poetry in motion

ONCE WE have become accustomed to the sanitised perfection that the CD offers, we often long for something a little more human. Poets who record their own work on cassette often give us just that kind of experience: something raw, rough-edged, and all too painfully human. This often tells us more about them and the impulses that have driven them to shape their poems than any number of purer renderings by a professional actor.

One thing that such a reading immediately tells us is where a poet has come from geographically, and how the way he hears and speaks his own variety of native English has shaped his attitudes towards poetry as an art.

Simon Armitage, one of the most lively young poets writing now, was born near Huddersfield and the sound of his language when spoken – a certain brutish dourness, a raw honesty in the almost aggressive lack of musicality in the voice – match perfectly his often chilling narratives. In *Zoom and new poems*, he takes a knowing sideways glance at the Northern drugs scene; in "Snow Job", a punchily idiomatic and amoral tale, some drinkers argue in a pub over who should take the most credit for having recognised the car stuck in the snow, its dead driver slumped against the steering wheel, the word 'Volvo' printed backwards in his frozen brow.

The language of Armitage's poems is as far removed as it is possible to be from "poetic diction". Idiomatic, breezily colloquial, they sound like anecdotes overheard in the pub. There are no classical references strewn about; the heroes belong to our own times: Johnny Weissmuller, for example, who, *Tarzan* apart, once held the world record for holding his breath under water.

Sujata Bhatt was born in India, though she now lives in the West, and the creative tensions that surface in her reading of *Selected Poems* testify to an inner conflict between the claims her childhood language, Gujerati, and the learned language of her adulthood, English. Bhatt reads her poems slowly; and the poems themselves are often intense meditations upon the loss of one's tongue. Such a loss, which she likens in "Search for my tongue" to a lizard slipping away, has incalculable consequences: the need to think a different reality. Bhatt reads with a measured desolation, inching her way forward, as if her own tongue might trip her up at any moment.

The University of Keele has recently embarked upon a mammoth project to make available all the extant recordings of the great American modernist poet, William Carlos Williams. The complete set of 15 cassettes costs £100, but those with a more modest interest in the project could start with a sampler of a single cassette entitled *The People and the Stones*.

Carlos Williams, one of the great pioneers of modernism, a contemporary of Eliot and Pound, reads 20 of his best-known poems from all the major phases of his career in the hectoring populist tone of the barnstorming preacher. Between the poems we get snatches of interviews, warts and all (car horns honk; a dog barks) in which Williams proselytizes to the enthusiastic chuckles of his audiences. The poet resembles that inconspicuous flower, the saxifrage, he tells us. It may look frail – but, my God, it can break a rock in half!

Another excellent cassette in the Keele series is a sampler from the complete recordings of the Scots poet Hugh MacDiarmid, the centenary of whose birth was celebrated last year. MacDiarmid's greatest poems – the short lyrics of the 1920s and the much longer meditation upon the destiny of Scotland and her language, *A Drunk Man Looks at the Thistle* – are often maddeningly difficult to get to grips with because of the sheer number of obscure and, to the English, seemingly unpronounceable words. MacDiarmid helpfully complements this reading of his own Scots originals with glosses in English. The verbal music alone is quite extraordinary.

Michael Glover

■ Zoom and new poems by Simon Armitage and Selected Poems by Sujata Bhatt: £5.95 each, available from The Poetry Business, 51 Byram Arcade, Westgate, Huddersfield HD1 1ND; The People and the Stones (£6.50) by William Carlos Williams and The Scotland of Hugh MacDiarmid (£5) are available from Dr Richard Swigg, Department of English, Keele University, Keele, Staffordshire ST5 5BG, England.

Rock back to the '70s

THE STYLE gurus tell us the 1970s are back in fashion. But what version of the 1970s? As the albums below demonstrate, there were more 1970s than we tend to remember.

Consider *Blockbuster! The Sensational 70s* (Castle CTVCD 209). This double CD celebrates a (mostly) platform heeled glitter splattered British pop version of the decade from the likes of The Sweet (*Blockbuster*), Mud (*Tiger Feet*), David Essex (*Gonna Make You A Star*) and T Rex (*Hot Love*). If the very titles makes you salivate and you wish you hadn't thrown away those loon pants, then this is the 1970s for you – but not, whatever the style gurus say, for your children.

Or consider Bill Clinton's 1970s, neatly represented by Fleetwood Mac. The group not only provided the President with his campaign song, *Don't Stop, Thinking About Tomorrow*, but reformed for his inauguration. Witchy, decidedly bitchy and yet somehow bland, *The Chain* (Warner Bros 9362-45188-2) is a four-CD boxed set that neatly captures the group's American heyday with a mix of bluesy ballads romantic farragoes. Interestingly, the set oscillates between being a collectors item and a coffee table package. It has a big booklet, but rather than matrix numbers and biography, this one consists of lots of photos and handwritten scrawls. Taken together the pair of albums bookend the decade.

For a cleaner sounding, even more romantic and yet bluesier Fleetwood Mac, try *Albatross* (Columbia CD 31569), a budget-priced version of the group's final days in Britain, which includes most of the classic tracks of the period.

At the time, Bonnie Raitt's 1975 outing *Home Plate* (Warner Bros 7599-27292-2) seemed less impassioned than her earlier, commercially unsuccessful, albums. Listening to it with her recent Capitol mega hits in mind it seems a natural progression and a good example of her ability to find virtue in unlikely songs (*What Do You Want The Boy To Do?*). Equally revelatory is Ace's Mel & Tim collection, *Starting All Over Again* (CDSXE 078). They only had a pair of hits, but they represent a wonderful laid back version of Southern Soul.

More forward looking is Sequel's imaginative *The Old School Rap* collection (NXT CD 217), a double CD of Sugar Hill tracks that lays bare the genesis of rap from Grandmaster Flash and Melle Mel onwards. Far More problematic is Pete Townshend's *Who Came First* (Ryko RCD 10246). A hymn to Townshend's guru, Meher Baba, it remains essentially a private album.

Far more unsettling and powerful is Television's 1977 debut album, *Marquee Moon* (Elektra 75559-60616) in which youthful passion and angst are combined in equal measure. The title track, which signals an end to the essentially private concerns of the decade almost as forcefully as the Sex Pistols, remains as powerful as ever.

But the album of the moment must be James Booker: *Bunco Partner* (Hannibal 1359). This was actually recorded in 1976, but it comes from another time. Booker offers a surreal mélange of classical (Chopin), folk (Ledbetter) and popular song (*On the Sunny Side Of The Street*) held together by a firm New Orleans backbeat. The result is simple, unadulterated pleasure: the sound of one man caressing the keyboard in private.

Phil Hardy

RESIDENTIAL PROPERTY

LONDON PROPERTY

LONDON RENTALS

LAND FOR SALE

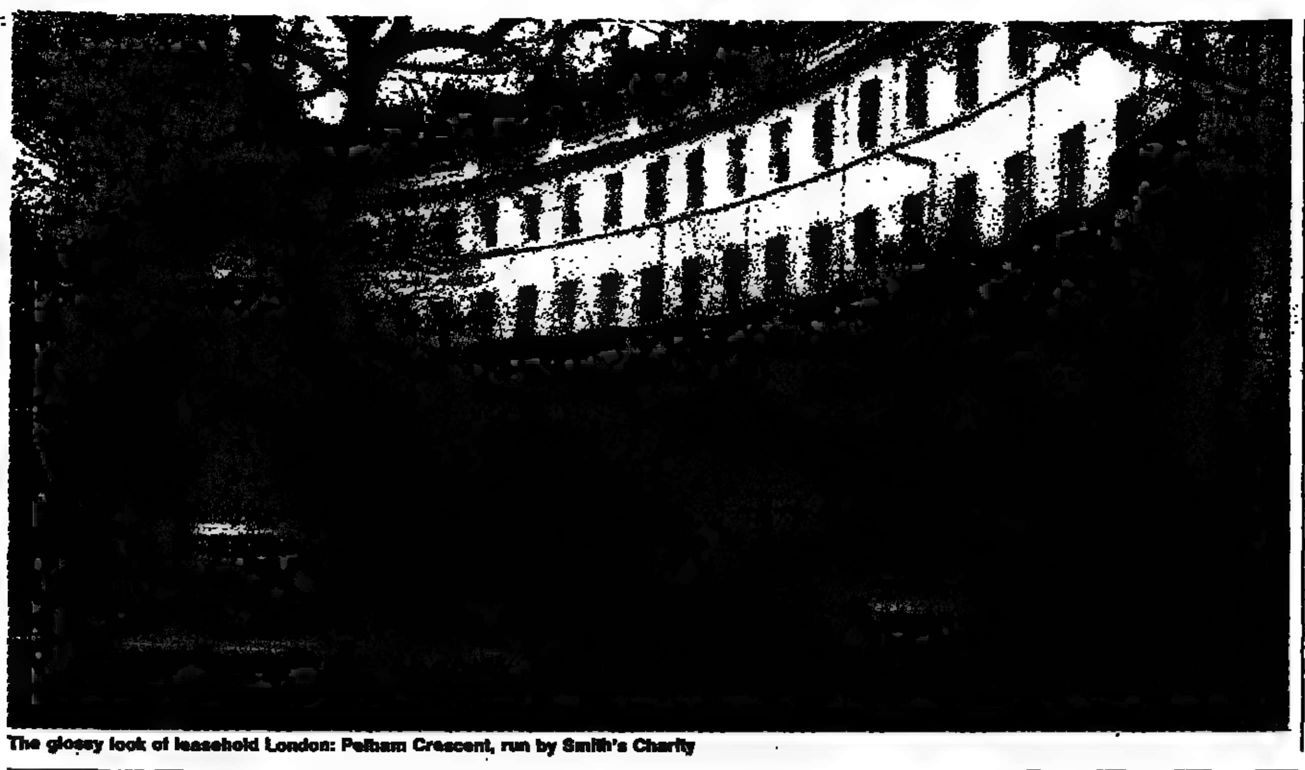
COUNTRY PROPERTY

RETIREMENT

INTERNATIONAL PROPERTY

INTERNATIONAL PROPERTY

PROPERTY



The glossy look of leasehold London: Pelham Crescent, run by Smith's Charity

A fillip for foreigners

***Gerald Cadogan**, property correspondent, on a leasehold loophole*

FOREIGN BUYERS stand to profit from the new Housing and Urban Development Bill which, when it receives royal assent in summer, will allow many leaseholders of flats to buy out the freehold.

Many foreign buyers have never fully understood the leasehold concept and, however much they love London, are reluctant to invest in British "wasting assets." They are buying properties in the UK with some zest already, while prices are low and the pound devalued. It would not be a surprise to see them looking soon at those properties that are enfranchiseable or have been enfranchised, which could even lead to a small rise in prices.

If that happens, though, it will mean little to them compared with the bonus of added buying power resulting from the collapse of sterling. Prices of long leases with a few years left should go up. The sudden chance of enfranchisement gives them the chance of extra value which some vendors will try to capture for themselves – to the chagrin of the estates – by enfranchising or starting the process before selling on.

It should also be easier to get mortgages to buy them. At present, leaseholds with less than 60 or 65 years do not seem to offer the lender enough security. A freehold is another matter. Yolande Barnes, at Savills, says the result will be that the estates, to protect their interests, will stop granting new and shorter (21- to 65-year) leases. Below 21 years the lessee has no claim; over 65, he might see no reason to enter the enfranchisement battle.

The uncertainty of the picture, while leaseholders decide if it is worth the effort to battle potential opposition from the estates, and the estates re-think their strategy, could be another signal to buyers to start their moves – but, perhaps, only if they have a contrarian view of markets.

From now on, when you do start looking, check the property thoroughly against the new rules. If your aim is to buy a flat to enfranchise it, you must ask early on about the other occupants. How do their leases stand? What sort of people are they? Will there be the necessary two-thirds majorities? Will you all get on running the building? Overlook this sort of information and you could be in trouble.

The agents have well cared-for, attractive properties on the market but you will not spot them when you walk down the street as billboards are forbidden. Among whole houses, a typical selection in Belgravia and Chelsea includes 20 Thurloe Place, SW7 (Knight Frank & Rutley: 63 years to go, £400 ground rent with reviews, guide price £785,000); and 68 Chester Square, SW1 (KFR or W.A. Ellis, 75 years, £2,000 with reviews, guide price £1.475m).

Far cheaper at £485,000 are 24 Montpelier Street, SW7 (KFR, 65 years, £100 fixed), and 8 Graham Terrace, SW1 (Savills or Friend & Flacke, 52 years, £750 with reviews). Flats include 26 Cadogan Court, SW3 (Winkworth or Strutt & Parker, 82 years, £100 fixed, £650,000); and 53 Cadogan Square, SW1 (Foxtons or Francis Russell, 30 years, £270, guide price £2,400).

■ *Next week: how the look of London might change.*

Estate agents: if they didn't laugh, they'd cry

*The collapse of the residential market has led to hard times for even the biggest players, **Judi Bevan** discovers*

ASK A residential estate agent how business in the UK has been in the last two years and you are likely to hear manic laughter.

"It has been the most bloody awful time," says Roland Cullum, with sardonic humour. Cullum is a partner of Cluttons, a medium-sized agent with a classy reputation, and admits freely that the going has been gruelling. A healthy estate agency business depends on brisk turnover and a percentage of the sale price – the higher, the better. "There have been damn-all transactions and static or falling prices," he says. It has also been much harder work. "Sometimes, you have to show a house 30 times before you make a sale."

The story is the same all over the UK, even in Scotland, which has been hit least badly in the property recession. "None of the major chains are profitable at the moment. We are coping with volumes down by 50 per cent and much lower prices," says Peter Rowntree, the managing director of the 260-branch Legal & General Property Services.

Reactions to the common problems of low sales and prices, exacerbated by rising office rents, include closing branches, cutting overheads, franchising, and moving into the popular rental market.

Last year, Cluttons decided to pull out of the London market, selling its well-known Chelsea office to Robin Patterson, a former Barnard Marcus executive, and allowing him to use the name Cluttons London Residential Agency. Ann Sturgis, at Kensington-based Malvern's, has been taking on lower-priced properties which some of the larger firms considered too time-consuming. She has also stepped up her letting business to make up for low sales.

Legal & General, having closed 76 offices in the past two years, has experimented with franchising. The group has around 40 franchise branches operating under one of its local trade names. "Franchising seems to be working because an individual with commitment can turn an unprofitable branch round, whereas a manager won't put in that effort," says Rowntree.

These are particular solutions to the national problem of over-capacity at a time of tumbling volumes and rising rents. At the peak of the property boom in 1988, the magazine *Estate Agency News* estimated that there were more than 16,000 estate agency offices owned by about 11,000 firms. There are now thought to be well under 12,000 offices owned by 6,500 firms, with many one-man bands having gone out of business or been taken over.

Almost half of all estate agency branches are now owned by the big institutions – building societies, banks and insurance companies – who waded into the market during the 1980s, often paying what have proved to be exorbitant prices. The idea was to use the retail network of estate agents to market other financial services – mainly mortgages and insurance – to the house-buyer.

By late 1989, it had become clear that the numbers did not stack up. The Prudential was one of the first to get out, sending shock waves through the market by shutting or selling more than 500 branches during 1990 after announcing losses of 249m. Most of the other large institutions have followed suit including Royal Life, which has dropped 243 branches to 517, and GA Property Services, losing 233 to 390 since 1990. Even assuming the housing market recovers in the next two years, there is still considerable over-capacity – estimates vary from 20 to 30 per cent – and all but a handful of existing offices are running at a loss.

David Perkins, an estate agent turned independent consultant, sees three clear trends emerging. First, he believes that UK insurance companies and middle-ranking building societies have no appetite for estate agencies and may be bracing themselves to get out entirely. Second, the big building societies, even those which have done well such as Hambro Countrywide and the Halifax, are no longer expanding.

But the most interesting development, which could signal the bottom of the market, is that former managers and estate agency entrepreneurs are taking advantage of low prices to re-enter the sector through management buy-outs, buy-ins, or franchising.

Not all of these are getting it right. A salutory example is the firm of Franklin Fox, which bought 51 offices from Northern Rock building society six months ago and which, because of a shortage of financing, has only a handful left.

Others hope to do better. After 30 years in the business Tony Snarey, formerly at William H. Brown – which was taken over by Royal Insurance – has bought the right to use the Humberts name and is to open six branches in the north-east of England this spring. "I believe that the estate agents which will do well are those with good local knowledge and an individual manager who is known and respected."

Patterson also claims to be making money. "We have turned the business round," he says. "We have changed the name and culture and, from a loss of £250,000, we are now well in profit." Recently, too, a national newspaper featured the tale of married couple Donald and May Storrie, who sold their 32 offices to Nationwide for £15m in 1988 but became so bored that they have now started again with one branch.

Despite the over-capacity in the market, new businesses have one big advantage: the cost of entry has dropped greatly. To buy a branch from an established chain can now cost only half what it did at the peak, while it is possible to negotiate keen rental rates from scratch.

The recession has taught everyone the importance of good financial housekeeping. Upmarket London agent John D. Wood, which recently revealed losses of £77,000 in the six months to October 31 compared with £194,000 for the first half of 1991, still has eight offices in London and six in the country, although staff numbers have been trimmed.

Cost controls have been paramount. "One alteration is that we now pass on to our clients the high cost of advertising and glossy brochures," says George Pope, the joint chairman. At Legal & General, Rowntree instigated strict cost controls in all branches, as has Knight Frank & Rutley.

According to Perkins, agents' fees have risen because of the recession but most prefer to talk of it in terms of holding firm or passing on costs. "When the market was very active, our fees were negotiable. Now they are not," says Rowntree. Bill Yates, senior partner of Knight Frank & Rutley, agrees. "It is easier to get good commission rates now. The rate-cutting from the institutional firms has stopped."

And there are signs that things may be improving. John D. Wood reported a threefold increase in viewings during January compared with November, although this has yet to come through in sales. Patterson believes that the number of transactions have risen by 15 per cent in the past two months, and all agree that there is more interest from potential buyers.

That might be scant consolation in a market which is staggering along on little more than 1m transactions a year compared with 2m in 1988, but it does offer hope.

As if life were not tough enough for the battered agent, there is one other challenge coming along in April when a new law will insist that advertisements and agents' particulars will be actionable if not totally accurate. In future, "Des. res. only 5 mins from Tube" will have to mean exactly that.

MOTORING / GARDENING

Citroën's Xantia sets standard for its rivals

*This BX replacement is a high-class act, reports **Stuart Marshall***

THE MONDEO is more than just the car expected to power Ford's recovery; it is the benchmark against which many of the 1993 models will be judged. This thought kept occurring as I tried three examples of Citroën's new Xantia range in Spain last week.

Just as the Mondeo goes beyond being a mere Sierra replacement, the Xantia steps up half a class in succeeding the BX. It goes on sale in France early next month, will be available in left-hand drive markets soon afterwards and reaches Britain with right-hand steering in June.

To begin with, there will be a choice of three petrol engines – 1.8-litre, 103 horsepower; two-litre, 123 horsepower; and a 16-valve two-litre developing 155 horsepower. Diesels, naturally aspirated and turbo-charged, follow rapidly and will be on sale in Britain well before the L-registrations start in August. So will a 1.6-litre, petrol-engined entry model.

The Xantia is as crucial to Citroën in Britain as the Mondeo is to Ford, although for different reasons. Ford believes the Mondeo will restore its fortunes and rebuild market share.

Citroën, meanwhile, seemingly cannot put a foot wrong in the UK. Last month, it took more than 6 per cent of the new car market, overhauling Nissan, Renault and Volkswagen-Audi. It also grabbed almost 18 per cent of a record 29,540 diesel car registrations.

Ten years ago, the BX was the car that started to change Citroën's image – and build its sales – in Britain. Before the BX, Citroëns were bought mainly by enthusiasts loyal to the marque.

They had to be; the only sensible price they could get at trade-in time was from a Citroën dealer – against a new Citroën, naturally.

The BX changed all that. Although idiosyncratic in styling and suspension (a self-levelling system using high-pressure gas instead of steel springs), it was not quirky. People who had never contemplated owning a Citroën bought a BX and liked it. Soon, it became a mainstream motor car.

Its owners are natural buyers of the Xantia, although the new car might appeal also to drivers of Sierras, Cavaliers, Nissan Primeras, Peugeot 405s and Renault 21s looking for a change.

The Xantia is a typical new-generation Citroën. Its wheelbase of 108.3in (271cm) is the longest in its class; its lean though rounded styling is distinctive; and it has the unique gas/hydraulic suspension. Inside, there is plenty of room for four full-sized people to stretch out.

Rear-seat head and leg room is better than the Mondeo's although boot capacity is the same. The seats, yielding and well-shaped, and the interior appointments generally are closer to those of the big XM than the BX.

Most of my driving in the 1.8-litre Xantia was on well-surfaced and almost deserted motorways. It was as comfortable and refined as one expects a car of the Xantia's class to be.

At what most business motorists consider a normal cruising speed of 80-85 mph (128-136 kmh), I was aware of the engine spinning at 4,000 rpm-plus, perhaps because wind and road noise were negligible. In a motorway downpour, the air-flow kept the back window completely clear and dry.

The two-litre Xantia felt a little more urgent. Lower profile tyres sharpened its steering response, but ride comfort and road noise were affected less than they were on the Mondeo equivalent.

Citroën's gas/hydraulic suspension was evolved 40 years ago to give motorists an armchair ride on rough surfaces, and there is still nothing like it for comfort on a neglected D-road.

Spain's highways have been transformed in recent years, but there are plenty of fast, uncrowded and ill-maintained minor roads. On their patched and wavy tarmac and acute bends, the Xantia rode serenely.

Best of all was the 16-valve model. This had XM-style Hydractive II suspension, which adapts automatically to road surface and driving technique. Even at silly cornering speeds, it prevented body roll.

The squat – though not at all noisy or hard-riding – Michelin 55 series tyres, and a small degree of rear wheel steering (like the smaller ZX model's), combined to make it feel exceptional nimble and safe.

Equipment levels for the UK market have not been decided, nor has the price. Experience suggests it will cost no more – and probably slightly less – than its class rivals.

All Xantias have power-assisted steering with a height-adjustable wheel, remote-controlled central locking and crash protection bars in the doors. Anti-lock brakes are extra on the cheaper models.

Airbags (which General Motors announced this week had been made standard on the Vauxhall Cavalier/Opel Vectra, just pipping the Mondeo at the post) will not be available until 1994. By that time, an estate car probably will have been added to the Xantia range.

If the BX is anything to go by, up to 30 per cent of Xantia buyers will chose diesels, especially turbo-diesels, which will have the 1.9-litre engine now used in the ZX. There appears to be enough under-bonnet space for the Xantia to take the 12-valve, 2.1-litre turbo-diesel used in the Citroën XM.

A highly-specified 2.1td Xantia with automatic transmission, ABS brakes and air-conditioning is a thought for Citroën to toy with for the mid-1990s.

The Xantia . . . as crucial to Citroën in Britain as the Mondeo is to Ford

Impatient japonicas turn winter into spring

*They're at the forefront of a year when Nature has divided itself into slow and fast lanes, says **Robin Lane Fox***

ONCE AGAIN, the world is running on fast-forward. Almonds are supposed to flower in March and narcissi ought to wait until spring. You might expect a snowdrop but it is much too early to be encountering primroses. They are out, nonetheless, because the year is anticipating spring in winter. I have just seen a sugar-pink prunus called Okame, smothered with light clouds of pink flower, in Oxford's botanic garden. Magnolias are about to break into bud; and against climb-proof paint on railings in London, you can already see some wisps of yellow *Forsythia*.

In this accelerated year, there are slow and fast lanes. I think I can see why. Anything which has to emerge from main roots in the soil is slower to join the stampede. The ground is still cold, not least after so much wet. Misleading signals are rather fainter, although there are dark flowers on my forget-me-nots and on pulmonarias which ought to have waited until April.

Higher up, the story is different, as if mild weather reaches the framework of buds on a shrub more directly than the roots below a dormant border plant. Early cherries have leapt from their starting blocks and the winter honeysuckles have been spectacular. It is all quite mad but, within a week of Valentine's day, I have just seen flowering quinces (known popularly as japonicas). They are two months early and well into their show of flowers. Japonicas have all the sensible virtues: they are completely hardy and indestructible, even by non-gardeners in the middle of London, and they are not just plants for difficult walls.

The family falls into two groups, with various colours and a longer season than most of the catalogues describe. One group is tall, gangling and best pinned against the wall. In the wild, it grows in central China, but Japanese gardens have always favoured it and perhaps it once had wild connections there, too. The botanical name in lists is Chaenomeles speciosa, but gardeners have developed named varieties, of which three are characteristic.

Nivalis is the best snow-white for training up a dark wall, even a north wall. Moerloosii is particularly charming because its flowers look like pink and white apple blossom and appear slightly later in the summer. It was bred in Belgium in the 1850s, but it still looks enchanting against a dark background and it grows quite well when facing east or north if it has enough light. I have an even softer spot for Phylis Moore, a rather leggy japonica which flowers in a charming shade of salmon pink. This one is particularly good against a wall where sunlight brings out the charm of its colouring.

These Chinese japonicas are great fun to train and prune. From their early days, they can be fanned out like fingers on a hand and clipped into shape late in May after flowering: if necessary, clip off any long shoots which grow forward throughout the season. The stems develop a fairly straight line if they are fanned in this way, and the flowers are visible on an open arrangement.

Nothing is ever entirely tidy, and I am being over-tidy by leaving out a good, bushy relation. Known as Simonii, it must commemorate somebody's Simon somewhere, but its habit is quite distinctive. It is low-growing and spreads into an arching bush which is excellent on a sunny bank or in a mass as a japonica thicket. Simonii does not grow more than 3ft high but the flowers are a lovely shade of dark red, semi-double and held flat against the spreading branches.

On the other side of the family, we have garden hybrids known as superba. They all arise from crossing a wild Japanese and a wild Chinese variety. Both of their parents grow wild on the slopes of cold mountains; thus, they are well up to life on the Celtic fringe, even without thermal underwear.

Until recently, I used to believe that the reds were best and that Rowallane was the best variety of all, especially on a low bank where it spreads to a width and height of 4ft. I now realise that there is a very fine white called Jet Trail which is good in the same situation and greatly neglected by people who like thickets of white flowers before the roses begin.

This year, there will even be a greenish-yellow variety. In 1989, Notcutts of Woodbridge, Suffolk, developed stocks of a sudden accident which appeared in a customer's garden. It was named Lemon and Lime and, when I saw it last year, I thought it had possibilities.

Like Simonii, these superba varieties are excellent shrubs for a low tangle, a thicket on a bank beside a drive, or as a broad group beside a flight of bold steps. I defy you to kill them and I also believe that they will grow in fairly dry summers: the late Russell Page sometimes used big blocks of them in gardens in southern France which he described to me as very dry. Gardeners who think of this family only on a wall are missing their best use. Japonicas will knit together and make a low plantation which excludes weeds.

Most of the varieties throw off suckers which you can simply cut off with a spade and replant. Otherwise, all of them will root very easily if you take the low branches and fix them down on to bare earth so that they make a root system of their own. Then, you simply cut off these layers and move them to another place.

The next three or four weeks are the right time to begin this simple multiplication: with their exceptional goodwill, japonicas are flowering early in order to remind us to make the most of them.

BOOKS

Brian Cox as King Lear and Peter Jeffrey as Gloucester in Deborah Warner's touring production for the National Theatre

Lear behind the scenes

Anthony Curtis relishes some fascinating insights into the Bard's great play

BRIAN COX played Lear in Deborah Warner's production of the tragedy for the Royal National Theatre in 1990. He doubled it with the part of Buckingham in Richard Eyre's production of *Richard III*, Richard being played by Ian McKellen. There were times on tour when Cox would have to do one role at a matinee and another in the evening. But he had enough voice left at the end of most days to dictate into a tape-recorder his thoughts and feelings about what had been happening to him.

The result – *The Lear Diaries* – is a spontaneous, highly articulate account of what it is really like to be a leading man in a national company with the responsibility of one of the great roles in the repertory bearing down upon your weary shoulders each evening. We learn not just how the role takes over your emotional life but also the inroads it makes into your private and family lives; there were existing difficulties that were exacerbated by a protracted tour abroad. Throughout a year the National company took both plays to Madrid, Paris, Hamburg, Leipzig, Dresden, Cork, Tokyo, Cairo in addition to touring the UK. Cox does full justice to the pains of one-week stands and official hospitality, thankfully recording a final stop in his native Scotland.

Above all Cox gives us fascinating insights into the mechanics of performance. He discusses the pros and cons of having to speak some of Lear's lines from a wheelchair which was part of the conception, and the effect upon the whole company's morale of the different venues, audiences and auditoria. Relations with other members of the company were crucial, particularly those with his colleagues taking the parts of his daughters and the Fool. Cox's comments reveal a mutual supportiveness that is miles away from the picture of chilling hauteur on the part of the star playing Lear in Ronald Harwood's play *The Dresser*.

Mind you, there is plenty of griping as well, and a constant complaint at the way the lesser role Cox was playing in *Richard III* undermined concentration on the major one. It was only when they reached Eastern Europe that he began to see the real point of Eyre's setting of that play in a 1930s fascist mode. The fall of Ceausescu and of Margaret Thatcher provided unexpectedly relevant topical contexts.

What would an historian of the theatre like Peter Thomson, the professor of drama at Exeter University and author of *Shakespeare's Professional Career*, give to get his hands on a diary of this sort kept by a member of Shakespeare's company? On, say, Burbage's uninhibited Cox-like comments on the rehearsal methods of those in charge in "this wooden O"? Did Shakespeare and his fellow-actors have anyone comparable to a modern director? The answers to such questions have to be inferred from fragmentary allusions in contemporary documents and surviving play-texts. Just how much has now been reconstructed by a huge army of Shakespeare scholars we gather from Thomson's book. He gives a most interesting, compact account of Shakespeare's conditions of work. Thomson sees Shakespeare as a great accommodator – someone who was always prepared to adapt his genius to whatever or whoever was available.

A striking illustration comes in the use he made of the comic talent in his company. Thomson leans here on David Wiles's study *Shakespeare's Clown* (1987), and points to the contrast between the parts Shakespeare wrote for his two great funny men – William Kempe and Robert Armin. Kempe, famous in his own right for his celebrated dance from London to Norwich, was the earthy, bawdy, gutsy comedian playing up to the groundlings for laughs in roles like Gobbo and Dogberry, and bringing down the house with his jig. He left the company in 1599 at the time of the move to the Globe, an environment where, it is suggested, his skills might not have been so greatly welcomed.

Kempe was replaced by the more melancholic, musically gifted player, Robert Armin. Thomson thinks Touchstone may have been re-written to accommodate him, and that a role like that of the Fool in *Lear* was part of Shakespeare's intuitive response to Armin, Clown turning into Fool. It is a tempting theory. As for the play itself and its mad King, Thomson sees it as predicating the transition from the old feudal role of kingship under the Tudors to the more modern one of the newly crowned James I under whose banner Shakespeare and his colleagues were working. They now became known as the King's Men.

Lear was a play about which Shakespeare appears to have had second thoughts after it had been staged. There are many significant differences between the text as printed in the quarto and the folio editions, so much so that the Oxford editors, Stanley Wells and Gary Taylor, in their *William Shakespeare: The Complete Works* (1986), printed the play twice, giving both texts in full. Jay L. Holio, professor of English at Delaware, in his New Cambridge Shakespeare edition, does not go as far as that. He sticks to the Folio text where the gains are, to my mind, greater than the losses, but he does give the chief variations in the notes, which are a model of clarity throughout. Quotations from Q and F are printed in facsimile so that one may compare the variant texts in the form in which they first appeared.

The New Cambridge Shakespeare, which 10 years ago set about replacing the old Dover Wilson edition, and of which *Lear* is the latest volume to appear, is now about half way through the canon. It is for my money the best single-volume edition to have to hand for general use. It started off in light blue Cambridge livery, but in the late 1980s apostatised to dark blue Oxford dress with a trendy David Hockney Shakespeare "portrait" replacing the earlier C. Walter Hodges design. To anyone who has been collecting the volumes over the years in the hope of one day possessing the complete set, this mid-term marketing initiative has given an unfortunate boat-race appearance to the books on the shelves. Nonetheless one is very glad to have them.

THE LEAR DIARIES
by Brian Cox
Methuen £15.99, 211 pages

SHAKESPEARE'S PROFESSIONAL CAREER
by Peter Thomson
Cambridge £24.95, 215 pages

THE TRAGEDY OF KING LEAR
edited by Jay L. Halio
The New Cambridge Shakespeare £24.95 (paperback £4.25), 313 pages

Killer king of the Khmer Rouge

Victor Mallet on the secretive life of communist despot Pol Pot

AS A schoolboy, he played the violin and was moderately good at basketball and soccer. As a teacher, he was liked by his pupils. He impressed them with his gentle, musical style of speaking French. "He was clearly drawn to French literature in general and poetry in particular – Rimbaud, Verlaine, de Vigny," one of them recalled.

Later he seized power in Cambodia and presided over the deaths of more than one million of his fellow citizens in one of the most brutal revolutions in history; one in seven Cambodians died. Such is Pol Pot, the enigmatic Khmer Rouge leader and former teacher, whose real name is Saloth Sar.

David Chandler is the most scholarly writer on present-day Cambodia, but two years ago he ended his previous book (*The Tragedy of Cambodian History*) with the baffling conclusion that the curtain had fallen on the careers of both Pol Pot and Prince Sihanouk. "The times transformed these heroes, without their knowing it, into those left behind by the tragedy and therefore, in a sense, into clowns," he wrote. The wrongness of this earlier assertion makes Chandler's new biography of Pol Pot all the more welcome.

Khmer Rouge guerrillas loyal to Pol Pot are making a mockery of the 1991 Paris peace accords signed by the main Cambodian factions (including the Khmer Rouge). They are flouting the ceasefire, refusing United Nations forces access to their territory and in some cases shooting at UN helicopters. Khieu Samphan is nominally the Khmer Rouge leader, but the 64-year-old Pol Pot is still believed to be running the organisation from his headquarters on the Thai border with a view to taking power again.

Prince Sihanouk, meanwhile, wants control of whatever government emerges after the UN-sponsored elections in May, believing that he is best placed to unite his country and reconcile the rival political factions.

A biography of the loquacious prince would have been much easier to write. Pol Pot, a dedicated communist untouched by glasnost, has made a habit of secrecy. He was identified as Saloth Sar by Cambodia-watchers only when he made a state visit to China in 1977 – two years after the Khmer Rouge takeover – and he casually admitted his real name only after being overthrown by the Vietnamese invasion in 1979.

Yet it is the very scarcity of readily available information that makes it fascinating to follow, with the sleuthing Chandler, the development of this "sweet-tempered, equable child" into a man demonised the world over as the overseer of Cambodia's killing fields. For the general reader, leafing through *Brother Number One* is also a more palatable way of absorbing Cambodia's complicated history than digesting Chandler's earlier and longer historical work.

We glimpse – or think we glimpse – Saloth Sar, whose cousin was attached to the royal ballet, hanging around the palace compound as a child in Phnom Penh. We see him taught at French colonial schools and we watch him leave by ship with the privileged few for further education in Paris.

In France he apparently joined the French communist party, and was certainly caught up in the excitement of student politics and the post-war debate about leftism. There was nothing very remarkable about that, or about his poor academic performance. After returning to Cambodia and becoming a teacher in the 1950s, he was apparently never questioned by the police. He never spent a night in jail. Chandler (a former US diplomat) says the US embassy had no biographical information on him, although it had files on hundreds of suspected communists.

What was remarkable was Saloth Sar's will to power. In secret he worked his way up through the ranks of the local, Vietnamese-sponsored communist movement, and went into hiding in the bush in 1963. Twelve years later, helped by the chaotic finale to the Vietnam war and the American withdrawal from Indochina, Khmer Rouge guerrillas captured Phnom Penh and Pol Pot emerged at the head of the Cambodian revolution. There followed the notorious killings, the evacuation of the cities, the abolition of money, the Stalinist purges and the growth of Pol Pot's antagonism towards his former Vietnamese patrons, culminating in the Vietnamese invasion of 1978-79 and the return of the Khmer Rouge to guerrilla warfare.

The problems of constructing a biography out of such flimsy material – an anecdote here, a leaked communist party document there – are obvious, and Chandler, forced to speculate, is often reduced to such phrases as "It is easy to imagine . . ."

But Chandler is not one to leap lightly to conclusions, and he is the first to confess that the question of what motivates Pol Pot, what drives him on, has yet to be answered. "Perhaps," Chandler writes, "as he sits at night in his clearing in the forest, he has a faint perception (or a bleak, horrifying vision) of the suffering he has inflicted. Perhaps he does not."

Even a couple of hours of discussion with Pol Pot himself would have helped, but Pol Pot has not been available for interviews. Until he is, this book is likely to be the best and most comprehensive biography of him – and one of the best introductions to Cambodia's tragic history – that we are going to get.

BROTHER NUMBER ONE: A POLITICAL BIOGRAPHY OF POL POT
by David Chandler
Westview Press £16.95, 254 pages

Poet's desolate life of hell on earth

A MUSICAL concert, said the Victorian poet James Thomson, is "two and a half hours of paradise for a shilling". It was the only kind of paradise Thomson knew, for his life was singularly "desolate and Fate-smitten". It was also the only kind he expected, because he was a militant atheist who wrote for the secularist press. But it was not merely the immanence and transience of paradise that haunted Thomson; his greatest poem, *The City of Dreadful Night*, is a powerful description of the human condition as paradise's very opposite: a "termless hell".

Tom Leonard's biography of Thomson is outstandingly good. It will surely rescue the poet from his undeserved obscurity. It shows that Thomson was not only a fine poet but a great essayist. His life was tragic; in the hands of a lesser biographer it would easily make a romantic, even a Gothic, tale of blighted genius.

But Leonard writes with restraint and exactness, letting the story tell itself by interweaving sympathetic quotation and paraphrase of Thomson's work with a superbly realised account of Victorian Britain in the period between 1830 and 1880.

Thomson's tormented character is allowed to emerge under its own impulsions, coming clearest into view just as its collapse into Faustian self-destruction begins. Thomson was Scottish but lived in London from infancy. Both his parents were religious enthusiasts, his father morbidly so. At the age of eight, following his mother's death, he was admitted to the Royal Caledonian Asylum in Islington. Upon leaving it he trained as an Army teacher, living an itinerant military camp life instructing illiterate soldiers and their offspring. After eight years he was "discharged with disgrace", having accumulated enough black marks for a minor court martial offence to give the Army an excuse to sack him.

Thereafter Thomson lived chiefly in London. He worked in the City, at one point travelling to Colorado to purchase silver mines for the company he served. In his spare time he wrote for journals like Charles Bradlaugh's atheistic *National Reformer*, contributing poems, translations from Heine and Leopardi, and essays. Among these latter were brilliant satires on religion and the corrupted literary tastes of Victorian England. His pseudonym was "B.V.", standing for "Bysshe Vanolis" in honour of Percy Bysshe Shelley and – by way of anagram – the German poet Novalis.

Apart from a brief and unsuccessful stint as a war correspondent in Spain, Thomson increasingly relied on literary journalism for a livelihood. It was a precarious resource; journals were short lived, their editors unreliable paymasters. For a time he was obliged to live by researching long propaganda articles for a tobacco magazine.

In early adulthood Thomson had the Dante-like experience of falling in love with an enchanting young girl who soon afterwards died. Her identity remains a point of controversy, and Thomson probably never expressed his true feelings to her. But the wound of the loss appears fresh in many of his poems. His life thereafter, despite friendships and some literary success, was a solitary and immensely painful one.

Such was its agony that Thomson at one point tried, by burning all his manuscripts and letters, to destroy his past in order to salvage a future. The task took him five hours. In the immediately following years he wrote *The City of Dreadful Night*, an achievement described by Herman Melville as "massive and mighty."

The publication of this masterpiece brought Thomson celebrity. It was admired by George Meredith, Rossetti and Swinburne among others. But the publication in rapid succession of two volumes of .poetry and a collection of essays came too late. It could not save Thomson from the slide into poverty and alcoholism which, in the obscure years leading up to the success of these works, were the price he had paid for writing them – in particular, for inhabiting the desperate city of which his poetry was the map. Within a couple of years Thomson was dead, after a final scene of drunken insanity and dissolution.

Leonard tells the tale with great skill. He does not indulge hypotheses about Thomson's feelings and motives; he lets the poet speak for himself, setting his words against a meticulously researched description of Victorian Britain's wars of religion and the literary and free-thinking alleys of Grub Street.

This is the kind of biography Francis Steegmuller and others have perfected: the documentary life, the "Jackdaw" folder which presents the reader with material on which to base his own judgment. Yet it makes a gripping story, and a harrowing one, which shows the cost that the productions of the mind exact, and how much human agony goes into their making.

A.C. Grayling

PLACES OF THE MIND: THE LIFE AND WORK OF JAMES THOMSON ("B.V.")
by Tom Leonard
Jonathan Cape £25, 407 pages

Fiction/Stephen Amidon

Emotionally fraught women

RHODA MANNING, the heroine of Ellen Gilchrist's *Net of Jewels*, is an impossible young woman. Coming of age in a rich Alabama family in the 1950s, she is as highly strung as a poodle on Dexedrine, driving her parents, classmates and lovers to distraction as she seeks to find a place for herself in the make-believe world of the pre-Civil Rights South.

Everything she does – college, sex, marriage, childbirth – becomes a crisis. She causes the death of a suitor in a drunken car accident, abandons her children when they become inconvenient, ingests drugs and alcohol in fruitless attempts to stay thin and happy, and even undergoes an unnecessary abortion after an adulterous love affair. For all the storm and strife she brings to her life, however, her six-year stumble toward womanhood lands her right back where she started – being provided for in her father's antebellum mansion.

Gilchrist's novel is a realistic and urbane evocation of that breed of southern woman often encountered in Tennessee Williams plays. High strung, pretentious, passionate, painfully self-conscious, Rhoda is like a hothouse flower that wilts the moment the lights are taken off it. It is a fascinating character study, delivered with considerable skill and precision. But the problem with the book is the problem with impossible women – their manic charm eventually becomes cloying, forcing you to search out more convivial company.

You sure won't find it in *The Blindfold*, another story of an emotionally fraught young woman. Siri Hustvedt's heroine, the anagrammatic Iris, arrives in New York City with little more than her fragile psyche as she prepares to study English at Columbia University.

She soon finds herself involved with all manner of weird souls, including a recluse who hires her to recreate the life of a murder victim on audio tape, a photographer who takes a strangely provocative picture of her, as well as the fellow patients in the hospital where Iris is treated for migraines. She also manages to find the time to engage in a few unsatisfactory love affairs and, most distressingly, a bizarre relationship with an art critic named Paris who likes to wear pink suits as he peers into Iris's troubled soul.

Told in a series of episodic, loosely connected chapters, *The Blindfold* is a prolonged study in angst and enervation that is hard to read for more than few pages at a time. This is not to say that it lacks striking moments, particularly the long, crazed night that ends with Iris grabbing a cop's gun in a strip bar just to see what will happen. But with little humour or plot, mood becomes everything, and the mood here is decidedly bleak. It is the sort of book that should appeal primarily to writing students and people with monochromatically black wardrobes.

The narrator of Marti Leimbach's *Sun Dial Street* is not a nervous young woman, though you feel the book might have been better if he had been. Sam Haskell is a strangely naive manager of rock bands who travels to L.A. to visit the mother and sister he has not seen in four years. Mom has changed her name and is still a manic depressive, but his sister Ginny is now a striking young woman. Sam quickly starts playing the protective and slightly obsessive older brother, especially when it comes to Ginny's relationship with a seedy club owner, who also happens to be a former lover of Sam's new girlfriend.

What follows is the stuff of TV movies – a rapid progression of murder, star-crossed love affairs, irate husbands and illegitimate children. By making her narrator a man, Leimbach has robbed the slim story of the emotional power that might have saved it. Sam's voice only rarely rings true, and his musings about the inner lives of the other characters are downright annoying. The result is a book that reads like a hasty and ill-conceived novelisation of a melodramatic film.

NET OF JEWELS
by Ellen Gilchrist
Faber £14.99, 360 pages

THE BLINDFOLD
by Siri Hustvedt
Hodder & Stoughton £8.99, 221 pages

SUN DIAL STREET
by Marti Leimbach
Picador £8.99, 276 pages

ARTS

A them-versus-us motif in Berlin

***Nigel Andrews** experiences everything from King Kong to Wittgenstein at the film festival*

EVERYTHING perked up with the arrival of King Kong. The natives were getting restless, and so were the visitors, as the 43rd Berlin Film Festival floundered through early days. Then came a 60th birthday screening of *Kong*, preceded by the raising of a 20-foot effigy atop the festival theatre.

This woke us all up. Cheered by the sight of a chained ape gesticulating from a cinema roof, we forgot the pain of that interminable Japanese film about gay street life; of that hectoring Swedish short about feminist fairy tales; of that fantasy-clotted Competition opener *Arizona Dreams*, made by ex-Yugoslavian Emir Kusturica with a cast twinning Faye Dunaway with Jerry Lewis. And we tried to forget the worst disappointment of all: the sight of Jack Nicholson with putty-face make-up piloting through David Mamet's putty-brained script for *Hoffa*.

This at least brought Danny DeVito to town as co-star and director. Small and round, DeVito resembled one of those objects marked "bomb" in comic-strips. His tongue was the fuse, fizzing away at press conferences to prove you cannot dampen a Hollywood trouper even when the world dislikes his film.

If *Hoffa* was a dull fresco about the postwar American labour movement and the disappearance of Teamsters boss Jimmy Hoffa in the 1970s – murdered, surmises Mamet, by Washington in concert with the mafia – Spike Lee's *Malcolm X* and Derek Jarman's *Wittgenstein* added to the Berlin bio-pic count and the them-versus-us motif.

Lee's film attempts to combine crowd-pleasing storytelling with radical politics and fails. (More when it opens in Britain.) Jarman, less reverently, turns the life of the Viennese-born, Cambridge-naturalised philosopher into a lantern slide lecture with intervals for wacky comedy. These last feature, *inter alios*, Tilda Swinton whooping it up in feathers as Lady Ottoline Morrell and John Quentin snapping out the Bloomsbury one-liners as, yes, John Maynard Keynes.

Terry Eagleton's episodic script – should we call it Brechtian? – is clever but low on dramatic voltage. It needs Jarman's fluidity of staging, turning a black-backed sound-stage into *perpetuum mobile* of foreground colour and motion, to provide pace and warmth. This and Karl Johnson's performance as Ludwig W: a sweet, despair-prone gibberer, in whom passion and pedantry live like a permanently quarrelling married couple.

But a few bio-pics go a long way. The best two films at Berlin came hot from the imagination's kiln, complete with colourfully glazed images. From China, Xie Fei's *The Lake Of Scented Souls* is a domestic melodrama heated to tragedy. A village businesswoman, whose sesame-oil factory is eyed by the Japanese, finds career pressures compounded by emotional ones. Her retarded son abuses his newly "arranged" bride; and the mother's own marriage, which she was sold into at 13, is now crashing on the rocks of a drunken husband and a lover who is an increasingly ill-kept secret.

Soap opera it could have been. Real opera it almost becomes. The director blends Visconti-ish verismo in the images – sunsets glow with pain, lakes sparkle with a sickly, piercing silver – with an overpowering central performance. Siquin Gaowa as the Madame Bovary of the marshlands, running through all known emotions and the hell with Oriental inscrutability, should get a Best Actress nod or there is no justice in juries.

If the Chinese film is verismo, Robert Rodriguez's *El Mariachi* from Mexico is opera buffa. This gloriously eccentric action thriller cost $7,000 to make – one day's cigar money on most Hollywood films – and then burned giant holes in the Latin American box office. It was promptly optioned by Tinseltown for an upcoming $7m English-language remake.

The remake could not possibly equal the original, which resembles a Sergio Leone Western made with mind-influencing narcotics. A zooming, carooming, running, jumping, never-standing-still camera follows the hero and villain around streets and deserts, unwittingly twinned by fate since they carry identical black guitar-cases. (One contains a music instrument, the other an arsenal of guns). A screen aflame with shoot-outs, punch-ups and comical misunderstandings is set further ablaze by the filmmaker's wild ingenuities of style.

Only one other Berlin film seriously warmed the imagination. Atom Egoyan's *Calendar* will win no prizes (not in competition) and may win no British release (65 minutes of unclassifiable semi-fiction). Yet the Canadian-based director of *The Adjuster* here re-visits his ancestral roots in Armenia – commissioned to take photos for a tourist calendar – and extemporises a truth-based tale of marital break-up.

Main characters: himself (often a poignantly interrogative voice off camera), his Armenian-born wife and the local guide who becomes her lover. While a foreign sun shines on their bilingual imbroglios, flash-forwards depict Egoyan back in Canada caught in the misery of serial dating. He tries to snare new girlfriends while the now published calendar glows from his wall, keeping alive old wounds. This beautifully cunning film about time, space and emotional paradox is as intricate and many-angled as its own heraldic leitmotif: the Byzantine churches that gaze timelessly, pitilessly, majestically from the skylines.

Two other movies deserve nods in the fair-to-enjoyable category. *Love Field*, directed by Jonathan Kaplan (*The Accused*), pushes Oscar-nominated Michelle Pfeiffer into a black-and-white love story in glorious Technicolor. He's black (Dennis Haysbert), she's white and they meet in the emotionally colourful aftermath of JFK's assassination.

Idrissa Ouedraogo's *Samba Traore*, from Burkino Faso, is a sweetly acidic village comedy from the maker of *Yaaba* and *Tilai*. Berliners complained that the movie showed signs of Westernisation – good heavens, a robbery in scene one and more action to come. But storytelling is no crime, and the same critics were last heard complaining that Ouedraogo's previous films had no plot. This one is wry, satiric and subtly humanist; and filmed in a burning Bush that seems at once a godless wilderness and a crucible for godly miracles.

Elsewhere Berlin has been an assault course of the unbelievable and/or unendurable. While the Golden Bear scans the horizon for likely winners, a series of Plastic Bears should be minted for such un-recyclable rubbish as Japan's *Heya*, with its minimalist tale of a hitman who never hits; or Germany's *Lilies Of The Bank*, proving like *Schtonk!* that there is no such thing as German comedy; or Israel's *Life According To Agfa*. This last is a sort of *Iceman Cometh* for the age of Palestinian-Israeli tension, its one-bar setting squeezed for maximum melodrama by director Assi Dayan, son of Moshe.

Why does Berlin import these turkeys? Perhaps because Cannes is just around the corner in early May, offering higher kudos for superior products. Or perhaps because Berlin is still seeking an identity, now that the fallen Wall has robbed the event of its political dialectic.

Until 1990 this festival stood by the tennis net of Euro-politics, a cultural umpire to the game of East versus West. Today the balls whizzing by come from all quarters, in all shapes, sizes and colours. Hooray that the Cold War spirit and structure have been swept aside. But Berlin badly needs a new identity if it not to become merely Cannes the Prequel: situated too close in time and too far in place, in a frozen North – and Kong is mantled in snow as I speak – which few will prefer to the sunnier, more movie-bountiful Cote d'Azur.

Atom Egoyan's 'Calendar': a beautiful, cunnning film though not in competition

Lloyd Webber buys Tissot

IN RECENT weeks there have been queues around the Adelphi theatre in London as punters rush to buy tickets for the next Lloyd Webber, his musical interpretation of *Sunset Boulevard*, scheduled for the summer. The show seems certain to open to box office takings well above £1m.

This is fortunate, because it seems likely that Sir Andrew has already spent the money. At Christie's in New York on Thursday a painting by the French 19th century artist, Tissot, of his mistress Kathleen Newton, sold for $2.97m (£2m).

"L'Orpheline", one of Tissot's largest canvases, depicts Newton dressed in widow's black, with a young girl, the orphan of the title. It was a record price for a Tissot, beating the $1.98m paid at Sotheby's 24 hours earlier for "The Woman of Fashion". In 1879 Tissot sold "L'Orpheline" in London for £500.

The buyer this week was David Mason, of Macconnal Mason, the London dealer who advises Sir Andrew. It is a typical Lloyd Webber picture. He has extended his collection to take in 19th century ceramics and the odd Old Master (he paid £10.12m last year for a Canaletto view of Whitehall, now on loan to the Tate), but Victorian art remains his great love and he has the finest private collection in the country.

He is also prepared to outbid the competition. The estimate on this Tissot was a modest $600-$800,000. Mason had also been busy on his behalf on Wednesday, paying a record $800,000 for a work by Sir Frank Dicksee. "The Mirror" shows another beautiful woman admiring herself in a hand mirror.

Tissot's 'L'Orpheline': sold to Lloyd Webber for £2m

Almost single handedly Sir Andrew has enthused Victorian pictures, which have been out of fashion in recent years. Christie's auction of 19th century art raised $6.4m and was 91 per cent sold. The most macabre picture on offer also found a buyer, for $444,000, a record for the artist, Alexandre Cabanel. It shows Cleopatra coolly observing the deaths of her slaves as she tries out various poisons before choosing the asp for her own exit.

The revival in the American economy has enabled New York to lead the art market out of recession. Victorian art, which is attractive to new collectors, is the beneficiary of this regained confidence.

Antony Thorncroft

Drama at the Marlowe Society

*Will the curtain fall on this seedbed of theatrical talent? asks **Michael Arditti***

CAMBRIDGE'S Marlowe Society may have a low public profile, but in terms of its philosophy and personnel it is arguably the single most important influence on the British theatre in the past 50 years. Every play at Stratford's Swan, every production by Peter Hall or Trevor Nunn, every performance by Derek Jacobi or Ian McKellen, has the Marlowe and its traditions at its heart.

And yet, like so many arts institutions, the society's future is under threat; hence the current appeal for £300,000. This will enable it to continue to employ professional directors, designers and other production staff, as well as to provide a room in the Cambridge Arts Theatre, which it can use for meetings, readings and other small-scale entertainments.

The Marlowe was founded in 1907 by Justin Brooke, of the tea dynasty, but the leading light in its early years was his cousin, the poet Rupert. From its origins in a failed exam and the wish to see set texts in performance, the society was, and remains, an undergraduate one, drawing its members from open auditions, but supplemented by professional actors, such as Peggy Ashcroft and Michael Hordern, for its celebrated Shakespeare recordings, and directors for its annual production at the Arts.

From the start, its achievements were profound. Its revivals of Marlowe, Jonson, Webster and Tourneur were directly responsible for introducing their work to the modern repertoire. With pioneering productions of *Troilus and Cressida*, *Timon of Athens* and *Titus Andronius*, it also, in director Steven Unwin's words, "showed that there were other Shakespearian plays beside *Twelfth Night*".

Linked to this has been its focus on verse-speaking, in which, as Unwin says, it opposed the dominant metropolitan culture, where classic plays were produced with grand actors on grander sets. Sir Peter Hall, who was introduced to the Marlowe's productions as a Cambridge schoolboy, sees its verse-speaking tradition as fundamental, particularly today when "no one else is interested in it; drama schools don't bother with it, because most of their students won't do Shakespeare", and he compares it with the Kings' choral tradition. "You can argue with it, but the standards are consistently high."

In its 85-year existence, the Marlowe has, in director John Barton's words, produced "a long roll call of honour". Cecil Beaton acted and designed; Michael Redgrave played Prince Hal and James Mason, Brutus; Richard Baker and Noel Annan appeared in a 1947 *White Devil*. Later actors have ranged from Michael Pennington and John Shrapnel to Tilda Swinton and Simon Russell Beale.

But the society's greatest discovery has been its directors: from 1950s figures such as John Barton, Peter Hall, David Jones, Robin Midgley, Toby Robertson and Peter Wood, through Trevor Nunn, to more recent graduates like Sam Mendes, Nicholas Hytner and Steven Unwin.

It is easy to see why the so-called Cambridge mafia is resented; and yet no better seedbed for directors exists. Griff Rhys Jones, who directed *Bartholomew Fair* and acted in *The Jew of Malta* dressed in a gold leotard and virtually nothing else, attributes this wealth of talent to a sense of freedom. "I'm a great believer in the chaos theory of learning to do theatre. When I was up, there was a picture of Peter Hall inscribed 'Thank you for letting me make my mistakes'. That's what we all felt."

The undergraduate Griff Rhys Jones in gold leotard and very little else

Hall acknowledges that the influence of the Marlowe and particularly that of Dadie Rylands, the Kings College don and Bloomsbury initiate who led the society between 1929 and 1966, was crucial to his whole career. "My intention in founding the RSC was to adopt a particular way of approaching a text. It wasn't much noticed at the time, but it came directly out of Dadie and the Marlowe."

His own appearances for the society included Tybalt in Romeo and Juliet, when he fought a duel with John Barton's Mercutio, which he describes as "the longest stage fight in history... John only went to hospital once, with a split thumb due to my inaccuracy". The production transferred to London's Phoenix Theatre, where they played before Winston Churchill, and for once, as Barton explains, the principles of textual fidelity were abandoned. "Churchill was sitting in the front row with a large first folio, following it line by line. So we decided to improvise..."

John Barton, widely regarded as the most scholarly of our major directors, sees in the society conditions analagous to those of Elizabethan theatre, where actors discovered texts on their feet. "If you give young actors Shakespearian verse to learn in a fairly short rehearsal time without a lot of psychological probing, they are going to hang on to the verse much more than people who are trained naturalistically in today's drama schools with their emphasis on TV."

This raises the question of whether the Marlowe is a genuine training ground, and should be encouraged as such; or an undergraduate society, dependent solely on the enthusiasm of its members. Barton believes that "the proof is in the pudding" – and the pudding certainly contains plenty of plums. For example, the cast of his own 1959 Henry IV included Ian McKellen, Clive Swift, Corin Redgrave, Julian Curry, John Fortune, John Bird, Eleanor Bron, and Derek Jacobi as Hal.

Jacobi attests to the merits of the training. "For those of us intending to go into the profession, it was the equivalent of a drama school. We learnt things which in our enthusiasm to become actors we'd never considered: vocal technique, wearing costume, attention to text. And unlike drama schools, we always performed in public, which gave an edge to the work."

And yet for every Marlovian who goes into the profession, there are half a dozen who don't. Among the latter is the novelist Margaret Drabble, who replies to the question "what does the Marlowe offer people who don't go on to be Ian McKellen?" that "It's important for people who go to watch Ian McKellen... It keeps Shakespeare and his contemporaries alive, in a different way from other institutions by taking young people at the start of their career and firing them with enthusiasm".

Its appeal is two-fold. Its emphasis on textual rigour and revival of classic texts should please the traditionalists while, in a age of increasing vocational training, it epitomises the virtues of a liberal education. In Hall's words, "For those who don't go into the theatre, it provides a chance to get inside the head of a genius. There are very few better ways of spending a few weeks than putting on a Shakesperian play."

And the experience feeds back into academia. Drabble describes how she "got a first with distinction when I spent every available moment in the theatre. Playing Imogen for the Marlowe made me feel a serious person for the first time."

Nevertheless the Marlowe tradition is under threat. It is ironic that this comes at a time when the opening of the Bankside Globe, where it is set to perform, is poised to bring its work before a wider public. As Mendes says of the appeal, "It's like a closed shop; the man on the street won't know what he's contributing to, but he gets the benefit – whether it's Derek Jacobi on stage or Griff Rhys Jones on TV."

Further information can be obtained from Tim Cribb, Churchill College, Cambridge CB3 ODS

Radio/**B.A. Young**

Double dose of Holmes

ST VALENTINE had a poor showing on BBC radio. Radio 1 gave *Stupid Cupid*, an hour of romantic pop presented by Liz Kershaw; but Radio 4 had *two* hours of *Sunday Outing*, for gays and lesbians, mostly in Blackpool. This is not the place to discuss homosexuality; but I cannot believe that presenters Matthew Parris and Beatrix Campbell would have been happy among the yelling and screaming at Blackpool's Flamingo Club.

Saturday night's Radio 4 play, *You Choose*, written and directed by Jonathan Myerson, was hard to credit but fair to hear. Zoe (Amanda Root), living with Greg and about to have a baby and get married, in that order, meets Simon (Nathaniel Parker), an old flame. He involves her in a plot to stop his opulent father exporting toxic waste to poor African states. This is the theme, incidental matters like random murder and spoilt marriage being treated more casually. Simon is unlikeable, whatever his intentions; finally we hear he has killed himself, while his father continues his evil activities. Whose side are we on? Well, the play is called *You Choose*.

You could choose on Sunday too, between Sherlock Holmes on Radio 4 (*Memoirs*, next week, *Return*) or Radio 5 (a new *Unopened Casebook*). John Taylor, Radio 5's writer, is not yet Conan Doyle; his tale of the doctor who faked his own death was too simple to be exciting, even though some of it passed in a funeral vault. But he has Simon Callow and Nicky Henson as Holmes and Watson – not quite the chaps we know, but just as plausible as Conan Doyle's pair as anyone else.

Clive Merrison and Michael Williams are more familiar figures in the Radio 4 version, though *The "Gloria Scott"* this week is an uncharacteristic tale, with Holmes partly as an undergraduate. The Baker Street talk is more as we know it in Vincent McInerney's version; and Watson has some of the keenness that Doyle gave him but actors often omit, even if he got the coded letter wrong. If you like a change, you can get six *Unopened Casebook* stories in a BBC Publication paperback, besides hearing them on Radio 5.

In the World Service's series on South Asia there was a programme on the Gurkhas that was one of the most exhilarating half-hours of radio I've heard for ages. No battle-scenes, just talk – talk about routine Gurkha life, from a young officer, a senior officer, Gurkha officers and NCOs, compiled by presenter Nick Rankin. The Gurkhas' loyalty to the British, who fought against them in the Gurkha wars, is one of the wonders of our time. They also serve now in the Indian army. Those who sneer at colonialism and racial discrimination could learn much from the story of the Gurkhas. Now we are to reduce their strength to a mere 2500. The way we chuck our treasures away!

South African Snapshots on Radio 3 confirmed the belief aired in Christopher Hope's programme last week that less censorship might give South African writers trouble in choosing themes. Ellen Kuzwayo, writer of *Call Me Woman*, spoke mainly of personal problems, with a feminist slant. Sipho Sepumla, whose novel *Rainbow Jamie* deals with commercial success, had little faith in the future; there would be more repression by the new government and no tolerance for blacks. At least poet-biologist Douglas Livingstone was happy; he would go on writing poetry about the multifarious life he leads.

In *On the Ropes* (Radio 4, Mondays), sympathetic John Humphrys interviews folk with problems that have reached public climax. This week's victim was David Mellor, but he has been well worked over by the press; next week's George Walker, of Brent Walker, sounds more promising. After him – how miscellaneous can you get? – comes Gilbert O'Sullivan.

A 'Trelawny' to warm the heart

***Alastair Macaulay** hails the National's production*

HERE IS the best revival of a Pinero play I have seen, and the first to do Pinero proud since the National staged *The Magistrate* some seven years back. The whole production, a triumph of ensemble acting, brings out the best in the play; and the first two acts, in particular, are among the Olivier Theatre's triumphs. Everything shows how adroitly Pinero could interweave three kinds of drama: realistic social comedy, backstage comedy, and sentimental melodrama. And the play shuttles so delicately between laughter and tenderness that tiny details may prompt laughter one moment, tears the next.

The beauty of this *Trelawny* is not in its fun – more laughs could be milked at several points – but in its human detail. It lies in little lines like Mrs Mossop's "I hope the affliction of short breath may be spared you, Albert" (panting gently in an armchair) and Imogen Parrott's little remembrance of "a supper which rather – well, I'd had some strawberries sent me from Hertforshire" (looking momentarily bilious); and Sir William Gower's quaint old pronunciations: (looking for chairs) "Have ye no cheers here?"

And it is at its most touching in the Telfers, former theatrical stars, now rather pompous but learning to deflate their stature and become yesterday's people. Pinero really creates a living world onstage – can an artist do more? – so that the Act One lunch party is as real to us in all its overlapping detail as that in Act One of *The Three Sisters*. Through this tapestry, Pinero threads his central stories so subtly that you never know for long how much it matters that Rose Trelawny should marry, or that Tom Wrench's comedy should be staged.

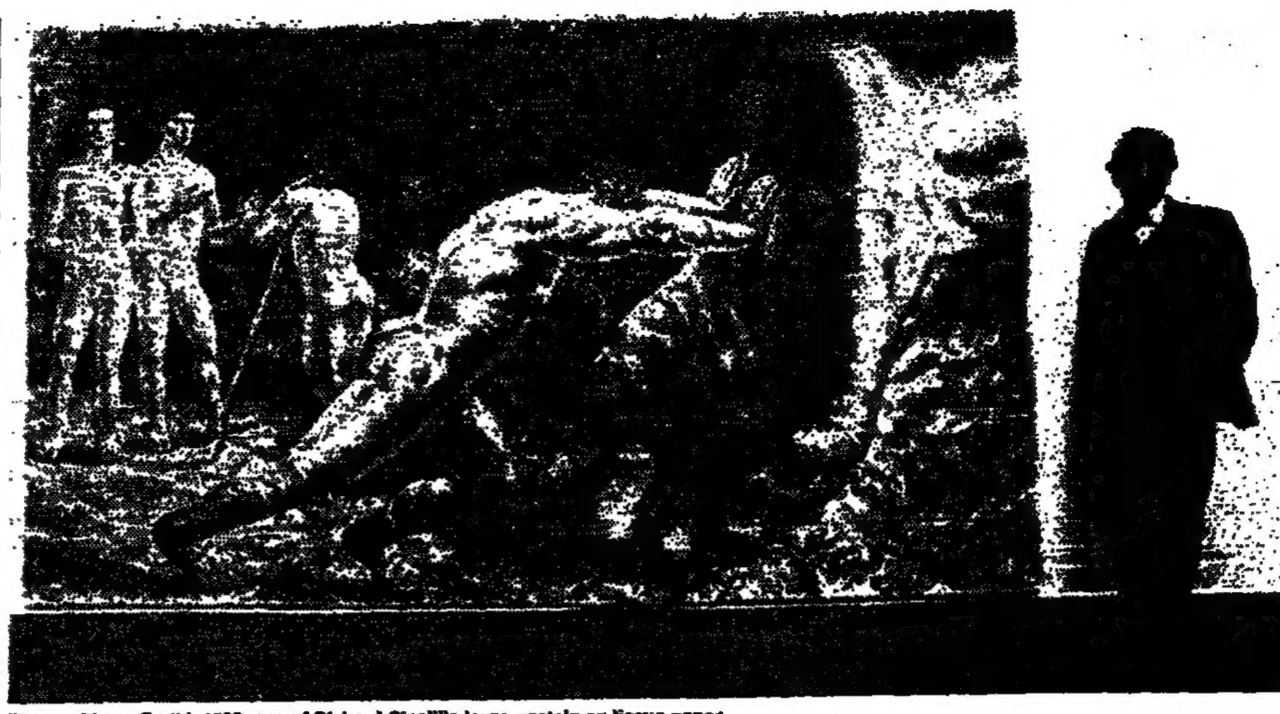
Helen McCrory catches, with marvellous spontaneity, Rose's blend of outsize theatricality and well-mannered refinement; and in her second-act costume she looks ready to sit for Winterhalter. Robin Bailey makes Sir William's fustian pronunciations one of the comic masterstrokes of the evening; and those of us who have loved, since *Black Snow*, his genius with extraneous wordless noises are treated to a gorgeous array of disapproving whinnies and nervous mini-neighs, all in character. His finest moment comes as this old grandfather tries to remember how Kean played Richard III. "A horse! . . . made something summer by . . ."

As the Telfers, Betty Marsden and Michael Bryant give object-lessons in the old saying that there are no such things as small roles. It is perfect that Marsden's first word, "Violent," should evoke Edith Evans (the full trisyllabic emphasis deployed in Evans's Millamant). Bryant actually throws away some of the comic potential of Telfer's adorably stuffy toast – throws it away in favour of catching the character's faintly absurd dignity. There is something about Bryant's greatness in supporting roles that makes me tremble in awe.

The cast is large, admirable, and full of detail, and John Napier has provided *four* different sets, each enlarging our sense of the world within; I should like to describe all of them. There are moments when Pinero's plot starts to seem too conventional (late in Act Three), and bit parts in Act Four that are acted more for staple comedy than for sincerity. But I note that Bernard Shaw found more fault with the 1898 premiere than I do with this; and that he nonetheless found that it showed Pinero at his most wise and affecting.

In repertory at the Olivier Theatre; sponsored by Data General

Paul Stewart as Charles with Helen McCrory, a Rose fit for Winterhalter



'Premonitions: Earth', 1988: one of Richard Cinalli's large pastels on tissue paper

Suggestion and dream

***William Packer** on the work of Zoran Music and Ricardo Cinalli*

THERE IS a usually a great deal of contemporary foreign art on show in London, but unless it conforms to current critical orthodoxy, we do not always give it the attention it deserves.

Zoran Music is now 81. He was born in Slovenia, studied in Zagreb and then Madrid, returning to Dalmatia at the outbreak of the Spanish Civil War. In 1944 he was arrested by the Gestapo and sent to Dachau. These many years past he has divided his time between Paris and Venice and was indeed accorded an *Omaggio*, a special showing at the Venice Biennale of 1984. But occasional shows apart, he remains as shadowy and fugitive in his life as in his art, his reputation more the creature of private enthusiasm than of general acclaim – his work held in the Sainsbury Collection, for example, is currently on show at the University of East Anglia at Norwich.

His manner of working is slight and sketchy, the image tentative in its statement, hinted at, teased out of the gentle flurry of a few deceptively rough, loose marks. It is an art not of any precise description, but of suggestion, imaginative association, atmosphere, experience to recognise and share. It may be a landscape, the dark, rich interior of a cathedral, a Venetian alley, a seated figure: always the essential feeling is the same, of the work left off, the sentence unsaid yet understood, the thought left hanging in the air.

The works at Gimpel, drawings and paintings, fall into two groups: the recent figures, the self-portraits and studies of the artist's wife, with examples of earlier subjects such as the cathedral interiors; and works from the Dachau series of the early 1970s which, with prescient pessimism, he entitled "We are not the last".

It had taken Music 25 years to address his experiences at Dachau directly in his art. There is a painting here, of about that time, of a fallen bush or tree, a scrubby drawing in paint on the unprimed canvas, with the branches or tendrils falling out untidily towards the viewer. And across the room we find the same understated, formal composition, and the same untidy sprawl of limbs, in the pile of corpses that is the lasting image and memorial of the concentration camp.

*

Ricardo Cinalli is a young Italian painter with two current shows of distinct groups of work. The series of large pastels on tissue paper, that he calls his "Premonitions", on which he has been working since 1985, is at the Accademia Italiana; and at Long & Ryle is his recent "Dreams" series, in tempera on board.

He is a figurative artist of remarkable technical ambition, his pastel drawings worked on a truly architectural scale, despite the natural flimsiness of the tissue as support and the delicacy of the medium. In imagery too, ambition is very much the word, for he takes upon himself the unforgiving test of the figure composition tradition, which in many respects he carries off admirably. There is great energy to these works, remarkable technical control in the drawing, and much fun and wit in the particular content. His nude figures writhe and twist and fall about in their unspecific, sub-classical Arcady, into which at any moment a monstrous foot might fall, to squash them all.

But the technical command is itself a limitation, for to command so extensive a surface with an essentially graphic technique, Cinalli has had to resort to a particular and consistent mark that all too soon obtrudes as a quality in itself – mannered and insistent, imposing its decorative visual texture across the entire work. As decorative architectural pieces, set at a distance, they serve well enough.

With the small tempera "Dreams", on the other hand, he perversely takes *more* risks. They are not altogether successful, but they are more interesting, albeit quirky and inconsistent, often awkward and improbable in the drawing, studies for further experiment and development. They too take their start in the Renaissance composition tradition, in this case images and parables of imprisoned saints and sinners, with angels arriving miraculously to set them free – or less miraculously to be tempted in their turn. But they look also to the nearer tradition, to the metaphysical strain in early 20th century Italian painting, to de Chirico, Savinio, Carra and Sironi. There is more going on and, we must hope, even more to come.

Zoran Music: Gimpel Fils, 30 Davies Street W1, until March 27. Ricardo Cinalli: Accademia Italiana, 24 Rutland Gate SW7, until March 14 and at Long & Ryle, 4 John Islip Street SW1, until March 19

St Jonathan's Passion

ONCE ubiquitous, Jonathan Miller is now at pains to distance himself from the opera establishment in Britain. He has consistently accused the London critics of malicious attacks on his productions, renewing his complaints in an extraordinary self-pitying interview published in *The Independent* last week. Now Miller works exclusively in the US and mainland Europe, safely out of reach of the slings and arrows of the London critical mafia.

But he has been tempted back to London to direct a dramatisation of the St Matthew Passion, conducted by Paul Goodwin. The performances in Holy Trinity, Sedding's beautiful church just off Sloane Square, are certainly collector's items; fully staged versions have occasionally appeared in German opera houses, but here the Bach passions have a ritualised concert life, usually shorn of any liturgical significance. The object of this new version, says the programme book, is to make the passion "accessible to audiences through its humanitarian and powerful messages".

There is certainly nothing extravagant about Miller's dramatic packaging; it is delivered in the round, with the two choirs (12 voices each) and the period-instrument orchestras grouped around a small acting area. Everyone wears casual clothes, the lighting is functional, props are confined to a loaf of bread, an apple and a glass of wine; there is also a table at which the Evangelist and later Pilate can sit. The chorus rises from its seats at crucial moments, grouping and regrouping about the conductor, while the soloists are more peripatetic; they migrate between the two antiphonal bands, break the circle or move to join forces with the obbligato players in the arias.

The effects are approximate, the dramatic elements generally obvious. Nothing appears to articulate the parallel narrative flows of the action, to make a contrast between the Evangelist's story-telling, which is sometimes illustrated in mime, and the moments when the protagonists take *on* the burden of the drama themselves, in which operatic conventions might have been expected to apply. One hesitates to resort to the term, but the St Matthew Passion contains its own element of alienation, and any version that attempts to beef up its dramatic potency (begging the question of whether that is needed at all) really ought to have taken that into consideration.

For a project that aims to make the work more accessible to an English-speaking audience it seems extraordinary too that it should be sung in German. In the end everything that Miller has added to the work seem purely cosmetic; none of his glosses draws the listener into the action or expose new layers of meaning, any more than transferring a production of *Tosca* to fascist Italy or a *Rigoletto* to New York sheds new light on those genuine operas.

The greatest achievement of this particular passion is probably to convey the impression that everyone is consistently involved in the performance; players and singers watch each other like hawks, and the chorus takes an intense interest in what the soloists are saying and doing. That in itself guarantees closer attention from the audience, and the musical performance is a thoroughly decent one. Goodwin's effusive gestures convey a good deal of brisk common sense; nothing is allowed to sag or drag, the lean instrumental detail is always busy and pertinent. The choruses are young and involved; there is an eloquent, lucid Evangelist from Rufus Müller, a woolly toned but physically intense Christus from Richard Jackson, stylish accounts of the remaining arias from Nancy Argenta, James Bowman, Jamie McDougall and Stephen Varcoe. If the event is worth catching for its uncomplicated musicality, the rest has curiousity value only.

Andrew Clements

Holy Trinity Church, Sloane Street, London SW1; further performances tonight and tomorrow

Dead pop lives!

NOW THAT contemporary pop music is dead, killed off by boredom, raves and a healthy teenage rejection of the established, we can enjoy ourselves indulging in the best of pop's past. After all, other art forms have long feasted off dead poets, dead artists, dead composers.

So a warm welcome for the B-52s, a transitory star which flashed across the pop firmament around 1980. They have been London's rave from the grave this week at the Hammersmith Apollo. The B-52s' specialised in arty trash. Everything about them was designed mildly to titillate the style set.

They were from Athens – Athens, Georgia, wouldn't you know. Their name has nothing to do with bombers (although it enables them to swoop around the stage arms akimbo playing planes) but with the beehive hair style *de rigueur* in the late 1970s. Their music was new wave disco but secondary to their on-stage antics. These were built around two girl singers with competing bouffants, come-on gestures, and clothes grabbed from a fancy dress chest, prized apart by the decidely camp Fred Schneider.

The B-52s enjoyed their brief flutter of fame but then resurfaced in the late 1980s. They are a cult, but a big one. If anything they have now overdosed on the kitsch. The ultimate B-52s' movie would be *Hairspray* out of *Twin Peaks*. So no surprise that hair styles feature prominently in the new stage show and that they have recruited Julee Cruise, the breathy singer from *Twin Peaks*, to be one of the bimbos. In a black bunny suit, peroxide hair, she grinds and pouts and postures like a try-out for the Kit Kat Club. In contrast veteran Kate Pierson looks like a *sedate* Barbie Doll.

Most mesmerising of all is Schneider. Weighed down by silver chains, he is the lawyer who has decided to come out of the closet at the firm's Christmas party. There is a "I know this is ridiculous but this is the real me" expression on his po-face as he runs through the B-52s repertoire of very silly songs, from "Hot Pants Explosion" to "Loveshack".

The appeal of the B-52s is that they know it *is* tacky but they are not going to crack up. Pretending to be lobsters with their one smash hit "Rock Lobster", or Wilson, Keppell and Betty in "Mesopotamia", is a serious business, and it is their integrity which makes it wholly enjoyable. Above all the B-52s are fun.

Antony Thorncroft

Amateurs take centre stage

RICHARD LUCE, they said, was the best arts minister because he came to the job "without any preconceptions". In other words, he knew nothing about the arts and did not pretend to.

But he became the longest serving arts minister, and the forays he made into the cultural hinterland brought a missionary gleam to his eye. He found communities where the arts had a central social role, but the only arts available were amateur.

After five years in the job Luce resigned, having ordered the most fundamental reorganisation of arts funding and the Arts Council since Lord Keynes set the ball rolling in 1945.

What is not generally known is that the amateur was at the core of his thinking when he commissioned his former chief civil servant, Richard Wilding, to reassess the arts subsidy structure.

Now Luce has become chairman of the Voluntary Arts Network (VAN), funded with money from the Gulbenkian Foundation, the Baring Foundation and the Arts Council. It will act as a catalyst for amateurs, with an information network and training advice, as well as lobbying for the voluntary arts. Peter Stark, the former head of Northern arts, is the director.

"I realised that it is entirely possible for people of all backgrounds and talents, wherever they may come from, to enjoy music, opera, drama and dance, or to learn to paint, write or become a craftsman" Luce said at the Royal Society of Arts recently. "But I became increasingly aware that, despite all the advances made in the support of the professional artist, society was paying scant attention to the potential role of the amateur."

In the national arts strategy published last month the Arts Council has duly broken with Keynes's founding principle that the amateur was not a real artist. Research has found that more than half the population participates in the arts somehow, and the final document, *A Creative Future*, pledges support through practical help and funding for training.

And when VAN was just a steering group it commissioned a report from the Policy Studies Institute which identified no fewer than seven million voluntary artists, and half a million of them members of 28 umbrella organisations like the National Federation of Music Societies.

The NFMS has 1,350 member societies, and there are probably as many more which are not members. "There is a remarkable resilience" said Russell Jones, director of the NFMS. "With the recession, cuts in local authority funding, the difficulty of getting sponsorship, it's amazing they're not going under in droves, but our membership has increased steadily." Their resilience may be that, unlike some professional bodies, amateur arts organisations have diverse sources of funds, so that the loss of one is not necessarily fatal.

Some sponsors have recognised the voluntary sector's potential, however. Sainsbury saw it a decade ago, and the Choir of the Year competition – which ended its seven-week BBC television run this week – is one of their longest standing sponsorships, costing them about £250,000 a year.

BT's new marketing head, Rodger Broad, has taken amateurs further with the BT Biennial, in which Little Theatre Guild amateur theatres get to put on a professional play specially commissioned, and now the new "Making More of Music" programme with the NFMS, announced last month.

And the Business Sponsorship Incentive Scheme started by Luce, whereby first time sponsors' largesse is matched by government money, is being modified to reach amateurs.

Simon Tait

Lutoslawski celebration

WITOLD Lutoslawski turned 80 in January. He is a composer widely and justly admired, since he has achieved a creative synthesis – between unfailing "progressive" concern for form and content and equally unfailing knack of "approachability", between experimental boldness of sound-invention and strict probity of craft – matched by very few in this turbulent, stylistically heterogeneous century of ours. He continues to compose (the Fourth Symphony had its premiere in Los Angeles earlier this month); each new work arrives at some fresh reconciliation of new and old, sounding peculiarly fresh, exact and "personal" the while and lasting not a note longer than necessary.

This last week it has fallen to Manchester to host a Lutoslawski birthday festival: eight days and nights of concerts, educational projects and talks. The Royal Northern College, Manchester University (whose Professor of Music, John Casken, has strong links with Lutoslawski from his student days in Warsaw) and the Hallé Orchestra have all joined in – and so has Radio 3, broadcasting three of the events live.

Lutoslawski himself conducted the Hallé's Thursday concert (final of the three broadcasts). This brilliant event, crackling with vitality and bursting with exuberant sonorities in sharp-cut outlines, seemed to sum up everything that makes Lutoslawski worth celebrating. There was no new work in it (no doubt there is a good reason why the festival was not permitted to give the British premiere of the Fourth Symphony, but it seems a pity nonetheless). Nevertheless, *Chain 3* (1986), the Piano Concerto (1988), and the Third Symphony added up to a uniquely satisfying programme.

The first is a virtuoso orchestral movement whose parts sparkle in separate, then intricately overlapped patterns. The second works up a genuine revival of the grand romantic piano-and-orchestra confrontation without ever sacrificing its "modernist" orchestral manners. (The piano part, written for Krystian Zimerman, was here superbly taken by Paul Crossley.) The third is an exploration of a set of three- and four-note figures achieved with Haydn-like rigour, energy and wit, a "concerto for orchestra" symphony exhilarating in its parts and in their sum. As, indeed, was the concert itself – diverse in its individual parts, compact and compelling as a whole.

Max Loppert

Chess No 962: 1 Nf4! and mate by 2 Qg5,Be4, or Qe4.

The Official London Theatre Guide

Supplied by The Society of West End Theatre

- ADELPHI, Strand. **Sunset Boulevard** From July 1993
- ALBERY, St Martin's Lane. **Hay Fever**
- ALDWYCH, Aldwych. **The Importance of Being Earnest** From February 22
- AMBASSADORS, West Street. **Eddie Izzard** Extended to March 13
- APOLLO, Shaftesbury Avenue. **Our Song** Must end March 13
- APOLLO VICTORIA, 17 Wilton Road. **Starlight Express**
- COLISEUM, St Martin's Lane. English National Opera **DON PASQUALE**, **CARMEN**, **RIGOLETTO**
- COMEDY, Panton St. **No Man's Land**
- CRITERION, Piccadilly Circus. **Misery**
- DOMINION, Tottenham Ct Rd. **Barnum** Must end February 27
- DONMAR WAREHOUSE, Earlham St. **Playland** From February 25
- DRURY LANE, Catherine Street. **Miss Saigon** Booking to Oct '93
- DUCHESS, Catherine Street. **Don't Dress For Dinner**
- DUKE OF YORK'S. **Murder is Easy**
- FORTUNE, Russell St. **The Woman in Black**
- GARRICK, Charing Cross Rd. **On the Piste**
- GLOBE, Shaftesbury Ave. **An Ideal Husband**
- HAYMARKET, Haymarket. **Cyrano de Bergerac**
- HER MAJESTY'S, Haymarket. **The Phantom of the Opera**
- LONDON PALLADIUM, Argyll St. **Joseph and the Amazing Technicolor Dreamcoat**
- LYRIC, Shaftesbury Ave. **Five Guys Named Moe**
- NATIONAL THEATRE, South Bank. Olivier: **TRELAWNY OF THE "WELLS"**, **AN INSPECTOR CALLS**; Lyttelton: **CAROUSEL**; Cottesloe: **MR A'S AMAZING MAZE PLAYS**
- NEW LONDON, Drury Lane. **Cats**
- PALACE, Shaftesbury Avenue. **Les Misérables**
- PHOENIX, Charing Cross Road. **Blood Brothers**
- PICCADILLY, Charing Cross Road. **Robin, Prince of Sherwood**
- THE PLAYHOUSE, Northumberland Ave. **It Runs in the Family**
- PRINCE EDWARD, Old Compton St. **Crazy For You**
- PRINCE OF WALES, Coventry St. **City of Angels** From March 19
- ROYAL COURT, Sloane Square. **King Lear** Extended to March 20
- ROYAL OPERA HOUSE, Covent Garden. Royal Opera: **IL BARBIERE DI SIVIGLIA**, **TURANDOT**
- ROYAL SHAKESPEARE CO, Barbican. Barbican Theatre: **HAMLET**, **THE TWO GENTLEMEN OF VERONA**; The Pit: **KING BABY**, **THE GIFT OF THE GORGON**, **ARTISTS AND ADMIRERS**
- SADLER'S WELLS, Rosebery Ave. English Touring Opera February 22-27: **COSÌ FAN TUTTE**, **FALSTAFF**
- ST MARTIN'S, West Street. **The Mousetrap**
- SHAFTESBURY, Shaftesbury Ave. **Kiss of the Spider Woman**
- STRAND, The Strand. **Lost in Yonkers**
- VAUDEVILLE, The Strand. **The Invisible Man**
- VICTORIA PALACE, Victoria Street. **Buddy**
- WHITEHALL, Whitehall. **Ennio Marchetto** Must end March 13
- WYNDHAM'S, Charing Cross Rd. **Travels with My Aunt**

Theatreline

T-Call the 0836 Theatreline numbers in this guide for more information and daily seat availability on each show. Calls cost 36p cheap rate or 48p at all other times in UK. Theatreline is produced by S.W.E.T. in association with F.T. Cityline. For daily seat availability only call 0836:

430959 Plays · 430962 Thrillers · 430960 Musicals · 430963 Children's Shows · 430961 Comedies · 430964 Opera/Ball./Dance

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.50 Littl' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live!

12.12 Weather.
12.15 Grandstand. Introduced by Steve Rider. Including 12.20 Football: Reviewing last week's FA Cup fifth-round ties. 12.55 Racing from Chepstow: The 1.00 Persian War Premier Novices Hurdle. 1.10 News. 1.15 Rugby Union: Previewing this afternoon's matches between Scotland and Wales, and Ireland and France. 1.25 Racing: The 1.30 Mitsubishi Shogun Trophy Chase. 1.40 Rugby Union. 1.55 Racing: The 2.00 Allbright Bitter Hurdle (Limited H'Cap). 2.10 Rugby Union: Full live coverage of the Five Nations Championship match between Scotland and Wales at Murrayfield, and highlights of Ireland and France from Lansdowne Road. 4.35 Final Score.
5.15 News.
5.25 Regional News and Sport.
5.35 That's Showbusiness.
6.05 Noel's House Party.
7.00 The Paul Daniels Magic Show. Paul hosts fifty minutes of illusion and entertainment, with guests Vis Versa, a breathtaking Canadian acrobatic act, and Lennart Green, a Swedish surgeon who can perform dazzling card tricks.
7.50 Casualty. A joyride in a stolen security van ends in a major crisis when the vehicle explodes and scatters radioactive material, contaminating some of the Holby staff.
8.40 Birds of a Feather. Tracey is furious when Dorien poaches her date, but cheers up when she is left alone with Dorien's husband, Marcus. Sharon leaps at the chance to boost her assets by selling dodgy T-shirts.
9.10 News and Sport; Weather.
9.30 That's Life! Esther Rantzen meets a courageous young girl who has raised £50,000 for cancer research.
10.10 Match of the Day. Highlights from two of the day's top FA Premier League matches
11.10 Film: The Yakuza. Violent action thriller. Robert Mitchum plays a battle-hardened ex-soldier, who comes to the rescue when his friend's daughter is kidnapped and held to ransom by Japanese hoodlums (1975).
1.00 Weather.
1.05 Close.

BBC2

6.40 Open University. 6.40 Food Production: The Grain Story. 7.05 Maths: The Binomial Theorem. 7.30 Physics: How Low Can You Go? 7.55 Changing Britain, Changing World: Land Use in Brazil. 8.20 Biology Form and Function: Insects. 8.45 Witting and Unwitting Testimony. 9.10 Technology: Strike a Light. 9.35 Motion and Newton's Laws. 10.00 The York Mystery Plays. 10.25 From Micro to Mainframe. 10.50 Frederick the Great. 11.15 Society and Social Science: Using Television. 12.05 Questions About Behaviour. 12.30 History: What is its Future? 12.55 Modern Art: Manet. 1.20 Genetics: Patterns of Inheritance. 1.45 Working with Systems. 2.10 TV - The Technological Impact. 2.35 Discovering 16th Century Strasbourg.

3.00 Film: Sabrina Fair. The late Audrey Hepburn stars in this vintage romantic comedy as a chauffeur's daughter wooed by rival millionaire suitors William Holden and Humphrey Bogart (1954).
4.50 Indoor Bowls. Coverage of the pairs and singles events in the World Championships at Preston's Guild Hall.
5.40 Late Again. Compilation of highlights from last week's editions of arts magazine The Late Show.
6.30 Scrutiny.
7.00 News and Sport; Weather.
7.15 Sounds of the Seventies.
7.50 Fine Cut. Following a family from Eritrea who fled their wartorn country to live in a Sudanese refugee camp. Nick Gifford's film captures their exhausted arrival at the camp and their return to Eritrea three years later.
9.20 Moving Pictures. A profile of Barry Levinson, director of films such as Rain Man and Good Morning Vietnam. Levinson talks about his life and career on the eve of the release of his new film Toys, starring Robin Williams. Plus, how to make a movie in New York for less than the cost of lunch in Los Angeles.
10.10 Film: The Natural. Robert Redford takes the lead in this heart-warming story chronicling the career of a baseball prodigy who hits the dizzy heights of superstardom (1984).
12.20 Film: Heat and Sunlight. Independent film-maker Rob Nilsson stars in this moving drama, which he also directed. He plays a 40-year-old photographer whose life begins to collapse when he discovers his choreographer girlfriend is having an affair (1987).
2.00 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Hard Time on Planet Earth. Jesse becomes a winning contestant on The Dating Game, only to save his would-be-partner from making the worst mistake of her life.
2.05 WCW Worldwide Wrestling. Grappling action with the stars of American wrestling.
2.40 International Athletics. Great Britain v US. Gold medallist Sally Gunnell, 110m hurdler Colin Jackson and sprinter John Regis compete at the National Indoor Arena, Birmingham. Commentary by Alan Parry, Peter Matthews and Steve Ovett.
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.10 Baywatch.
6.00 Blind Date.
7.00 Barrymore.
7.45 Inspector Morse: Absolute Conviction. The sudden death of a convict gives Morse and Lewis a taste of prison life as they investigate the complex affairs of three businessmen jailed for fraud. John Thaw and Kevin Whately star.
9.45 Tarrant's 10 Years on TV. Chris Tarrant continues his look at the wacky side of foreign TV with a peek at the kind of brassières worn by the women of the world. He also sees how Eastern Europeans entertained themselves before the collapse of communism.
10.15 The Big Fight - Live! Chris Eubank v Lindell Holmes. Eubank puts his WBO Super-Middleweight Championship title on the line for the 11th time against former IBF Super-Middleweight champion Holmes.
11.05 ITN News; Weather.
11.20 London Weather.
11.25 Film: Punchline. Poignant laughs with Tom Hanks and Sally Field as a pair of down-and-out comedians who sacrifice everything to make it in the world of stand-up comedy. John Goodman, Mark Rydell and Kim Greist also star (1988).
1.40 The Big E.
2.35 Get Stuffed; ITN News Headlines.
2.40 Basketball.; ITN News Headlines.
3.40 New Music.
4.40 BPM; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Road Dreams. 12.30 pm Songs and Memories.

1.00 Film: Return to Yesterday. Romantic comedy. Clive Brook plays a fading Hollywood matinee idol whose plans for a quiet break in a seaside town are thrown into confusion when he joins the local amateur theatre company and falls in love with the leading lady. Anna Lee and David Tree also star (1940).
2.15 Racing from Newcastle. Including the 2.30 Newcastle Building Society 'Nova Plus' Novices' Chase, the 3.00 Newcastle Building Society Hurdle, the 3.35 Tote Eider Handicap Chase, the 4.10 Newcastle Brown Ale Top of the North Novices' Hurdle and the 4.40 Newcastle Building Society Handicap Chase.
5.05 Brookside.
6.30 Right to Reply. Sheena McDonald introduces more viewers' ideas and reports about TV; **News.**
7.00 A Week in Politics. An offbeat look at the week's parliamentary news from both Houses.
8.00 Adventures: One Man and His Boat. An American man's journey around Britain in search of his ancestors. Robert Perkins launched his canoe on a voyage of discovery from Greenwich, travelling up the Thames, through Birmingham, Manchester and beyond - destination Scotland.
9.00 Tales from the Hollywood Hills. A young actress starts an affair with her dream lover - but is the man all he seems? Michelle Pfeiffer stars.
10.00 Saturday Zoo. Actor Danny DeVito, recently seen as the Penguin in Batman Returns, is among Jonathan Ross's guests.
11.00 Ready Steady Go! With music by Jerry Lee Lewis, Lulu, Georgie Fame and PJ Proby.
11.35 Adult Oprah. An in-depth look at violence in American society, focusing on last year's Los Angeles riots.
12.30 Film: The Great Gatsby. Steamy drama. Robert Redford plays a nouveau riche socialite whose affair with Mia Farrow ends in tragedy. Karen Black and Scott Wilson also star. Based on the classic novel by F Scott Fitzgerald and scripted by Dracula director Francis Ford Coppola. (1974).
3.05 The Word.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 1.10 WCW Worldwide Wrestling. 1.40 Badminton. 5.00 Anglia News and Sport 11.20 Local Weather.

BORDER:
1.05 Border News 1.10 Kick Off. 1.40 Granada Sport Action. 5.00 Border News and Weather 5.05 Sport Results.

CENTRAL:
1.05 Central News 1.10 Lofty. 5.00 Central News 5.05 The Central Match - Goals Extra.

CHANNEL:
1.05 Channel Diary. 1.10 The A-Team. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN:
1.05 Grampian Headlines 1.10 The Munsters Today. 1.40 Speaking Our Language. 2.10 Tomas Tolsach 's A Charaidean. 2.15 Police News. 2.20 Rockspot. 5.00 Grampian Headlines 5.05 Small Talk. 11.20 Grampian Weather.

GRANADA:
1.05 Granada News 1.10 Kick Off. 1.40 Granada Sport Action. 5.00 Granada News and Sport 5.05 Granada Goals Extra.

HTV:
1.05 HTV News. 1.10 McCloud: Park Avenue Rustlers. 5.00 HTV News and Sport 11.20 HTV Weather.

HTV Wales as HTV except:
No variations.

MERIDIAN:
1.05 Meridian News. 1.10 The A-Team. 5.05 Meridian News. 5.05 Saturday Sport.

SCOTTISH:
1.05 Scotland Today. 1.10 Calpteen Planaid. 1.40 Speaking Our Language. 2.10 Celebrity Squares. 5.00 Scotsport Results. 5.15 Rocksport. 5.30 The Box. 5.45 Scotland Today 11.20 Scottish Weather.

TYNE TEES:
1.05 Tyne Tees News. 1.10 A Boy Named Charlie Brown. (1969) 5.00 Tyne Tees Saturday.

ULSTER:
1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Trans World Sport. 2.15 The Caledonian Challenge. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 11.20 UTV Live Headlines

WESTCOUNTRY:
11.30 Anybody Out There? 1.05 Westcountry Weekend Latest. 1.10 Movies, Movies, Movies. 1.40 Cartoon Time. 2.00 The Westcountry Match. 4.00 International Athletics. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
1.05 Calendar News. 1.10 A Boy Named Charlie Brown. (1969) 5.00 Calendar News.

S4C Wales as Channel 4 except:
7.05 Early Morning. 12.00 The Wonder Years. 12.30 Abroad With Two Yanks. (1944) 1.50 Joe McDoakes. 2.05 Rygbi. 4.05 Racing from Newcastle. 5.30 The Magic Roundabout. 5.35 Now You're Talking. 7.00 Newyddion Nos Sadwrn. 7.20 Traed Oer. 7.50 Halen Yn Y Gwaed. 8.50 Tocyn Tymor. 9.45 Snapshots.

SUNDAY

BBC1

7.00 Felix the Cat. 7.15 Smoggies. 7.40 Playdays. 8.00 Superbods. 8.15 Breakfast with Frost. 9.15 The Good Book Guide. 9.30 This is the Day. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Computing for the Terrified. 11.30 Off the Back of a Lorry.

12.00 Advice Shop. Topical welfare rights magazine.
12.30 CountryFile. Rural and environmental issues.
12.55 Weather for the Week Ahead; News.
1.00 On the Record. Political interviews and analysis.
2.00 EastEnders.
3.00 Film: Irreconcilable Differences. Child star Drew Barrymore plays a determined nine-year-old out to get a divorce from the parents she accuses of emotional abandonment (1984).
4.50 Lifeline. An appeal on behalf of the Rainbow Trust Children's Charity.
5.00 The Clothes Show.
5.25 Antiques Roadshow. The experts visit Macclesfield and uncover two valuable paintings, a fine diamond necklace, and a silver bowl with illegal hallmarks.
6.10 News.
6.25 Songs of Praise. Sally Magnusson visits Wakefield Cathedral.
7.00 As Time Goes By.
7.30 Lovejoy. A heavyweight antique causes problems for Lovejoy. With Ian McShane and Tony Haygarth.
8.25 Last of the Summer Wine.
8.55 One Foot in the Grave.
9.25 News; Weather.
9.40 Mastermind. The contestants are Jeremy Thomas (the Austro-Hungarian dual monarchy 1867-1918); John Gittens (the life and world of Lord Macaulay); Pauline Beighton (the life and travel books of Dervla Murphy); and Stuart Johnson (railway signalling in Britain 1830-1947).
10.10 Everyman. Examining the legacy of Israel's alleged involvement in the killing of 2,000 Palestinians. New evidence and eyewitness reports chronicle the horrors many believe will affect the region for years to come.
11.00 Winning. Following attempts to save a spectacle manufacturing company in Northern Ireland.
11.30 Famously Fluent.
11.35 Elephant Games.
12.05 Weather.
12.10 Close.

BBC2

6.40 Open University. 9.10 Christopher Crocodile. 9.15 The Animals of Farthing Wood. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Century Falls. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 The Thunderbirds. 12.50 pm The Invaders.

1.40 Indoor Bowls. Second-round action from the singles tournament.
2.00 Around Westminster. Review of the week's political news.
2.30 Millennium: Tribal Wisdom and the Modern World. David Maybury-Lewis explores the spiritual side of healing.
3.25 Indoor Bowls. Further coverage of the second round in the singles tournament.
4.35 Ski Sunday. Highlights of the World Championships in Morioka-Shizukuishi, Japan.
5.10 Rugby Special. Scotland v Wales from Murrayfield; Ireland v France from Dublin. Chris Rea introduces highlights from the Five Nations Championship games.
6.10 The Natural World. An insight into the life of Alaska's brown bear. After hibernating through the winter months, they emerge ravenously hungry - and with summer so short, the race is on to fatten up for the next winter.
7.00 The Money Programme. Investigating Fiat's attempt to regain control of the car market as the company embarks on an £18bn improvement programme.
7.40 The Adventurers. More cut-and-thrust in the world of high finance when Grosvenor Venture Managers find their plans at loggerheads with those of two firms they helped finance.
8.20 Dancing. The encounter between African forms of dance and those developed in the West.
9.20 Did You See? Looking back at the week's TV highlights.
10.00 Screen Two: The Cormorant. Chiller. A family get the chance to escape the rat race when they inherit a house in Snowdonia. Starring Ralph Fiennes and Helen Schlesinger.
11.30 The Dave Thomas Show. Emmy-winning comedy writer Dave Thomas introduces his own show.
11.55 Film: L'Argent. Premiere of director Robert Bresson's modern-day morality tale. A young man's life takes a dramatic turn after a minor offence has serious consequences (1983).

LWT

6.00 GMTV. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Package Pilgrims. 12.30 pm Crosstalk; Weather.

1.00 ITN News; Weather.
1.10 Walden. Political interview with Lord Norman Tebbit.
2.00 The Smurfs.
2.30 The London Match. West Ham United v Newcastle United. Ian St John introduces live First Division action from Upton Park.
5.00 Wish You Were Here? Judith Chalmers visits the Londolozi Game Reserve in South Africa, John Carter wanders down Coronation Street on a Granada Studios tour, and Royal reporter Prince Sadruddin Aga Khan describes the damage tourism is doing to the Alps.
5.30 Bullseye.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Film: Three Men and a Baby. Comedy starring Tom Selleck, Ted Danson and Steve Guttenberg as apartment-sharing bachelors whose free living lifestyle is turned upside down when they have to play father to a baby girl left on their doorstep (1987).
8.25 Watching. New series.
8.55 ITN News; Weather.
9.15 London Weather.
9.20 Agatha Christie's Poirot. The suave Belgian detective is overjoyed to return to his home country after years of absence. But his delight is soured by a former colleague's refusal to let an old unsolved murder rest. David Suchet stars.
10.20 Hale and Pace.
10.50 The South Bank Show. Profiling Dmitry Sitkovetsky, one of the most exciting violinists of the present day, and his cousin Sasha Sitkovetsky, one of Russia's leading rock musicians. Although the two fell out when Dmitry emigrated to the United States, the cousins have recently rekindled their friendship.
11.50 Encounter. Do Christians feel giving up material luxuries for 40 days brings them closer to God? The programme investigates the increasing popularity of retreats for Lent to discover the real meaning of this fasting period.
12.20 Cue the Music.
1.20 Get Stuffed; ITN News Headlines.
1.25 TXT.
2.25 Summerrock.
2.25 Get Stuffed; ITN News Headlines.
3.30 Snooker.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Miraculous Mellops. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

12.45 The Great American Bike Race.
1.45 Film: Conquest of Space. Sci-fi adventure charting the perilous journey of a space ship en route to Mars. Walter Brooke plays the ship's captain who turns to religion when all else seems to be going wrong (1955).
3.15 Film: Big Deal at Dodge City. Henry Fonda stars in this offbeat Western as a reformed gambler who becomes involved in a high-stakes poker game and, after a heart attack, persuades his wife to sit down at the card table and take his place (1966).
5.00 How Now Boing, Boing?
5.10 News.
5.15 High Interest: The Curry Boys. Actor Art Malik investigates the impact of the Asian community on British business.
6.00 Moviewatch. Films under review include Lorenzo's Oil, starring Nick Nolte, and Under Siege, with martial arts tough guy Steven Seagal. Nicolas Cage discusses his new film, Honeymoon in Vegas.
6.30 The Wonder Years.
7.00 Fragile Earth: Minefield. Following the high-risk work of Rimfire, a mine-clearance company that clears up after wars. The cameras film Maurice Brackenreed-Johnston and his team as they teach the people of war-ravaged Somalia how to disarm these deadly remnants of battle.
8.00 Opinions: Britain 1993. Mr Alan Clark, defence minister, speaks out on the state of Britain.
8.30 Benny Hill.
9.00 Lipstick On Your Collar. Six-part drama by award-winning writer Dennis Potter, who uses the music of the mid-1950s to chronicle the exhilarating story of two young men who dream of finding true love.
10.10 Film: Withnail and I. Riotous comedy with Paul McGann and Richard E Grant as a pair of down-at-heels actors who quit the London rat race and set out to start a new life in the great outdoors with disastrous results (1986).
12.10 Film: Guelwaar. Social satire by veteran Senegalese director Ousmane Sembene (1992) (English subtitles).
2.15 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 2.00 Cartoon Time. 2.15 Highway to Heaven. 3.15 OSS 117 Double Agent. (1968) 5.00 The Village Show. 6.00 Anglia News on Sunday 6.15 Regional Weather.

BORDER:
12.30 Gardeners' Diary. 12.55 Border News. 2.00 Wish You Were Here? 2.30 The A-Team. 3.25 Highway to Heaven. 4.30 Cartoon Time. 4.30 Bullseye. 5.00 Scotsport. 5.00 The Border Week. 6.15 Border News.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.00 Earthfile. 2.15 Coach. 2.45 The Central Match - Live. 5.00 Bullseye. 5.30 Highway to Heaven. 6.15 Central News

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Tele-Journal. 2.00 Highway to Heaven. 2.55 Cartoon. 3.00 The Prince and the Pauper. (1962) 5.15 Bullseye. 5.45 I Can Do That. 6.15 Channel News.

GRAMPIAN:
10.45 Small Talk. 11.00 The Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Great Planes. 3.00 The A-Team. 4.00 Wish You Were Here? 4.30 Bullseye. 5.00 Scotsport. 6.00 Grampian Headlines. 6.05 Elkon. 6.15 Grampian Weather.

GRANADA:
12.25 What the MPs Say. 12.55 Granada News 2.00 The A-Team. 2.55 Penny Princess. (1952) 4.45 Bullseye. 5.15 Coronation Street. 6.15 Granada News

HTV:
12.25 HTV News. 12.30 HTV Newsweek. 2.00 Superstars of Wrestling. 2.30 Hatari! (1962) 5.45 Bullseye. 6.15 HTV News. 6.15 HTV Weather.

HTV Wales as HTV except:
12.30 Playback.

MERIDIAN:
12.30 Meridian This Week. 12.55 Meridian News. 2.00 Highway to Heaven. 2.55 Cartoon. 3.00 The Prince and the Pauper. (1962) 5.15 Bullseye. 5.45 I Can Do That. 6.15 Meridian News.

SCOTTISH:
10.45 Wemyss Bay 902101. 11.30 Link. 11.45 Sunday Service. 12.30 Package Pilgrims. 12.55 Scotland Today 2.00 Scottish Questions. 2.30 Highway to Heaven. 3.30 Elvis: Good Rockin' Tonight. 4.15 Baywatch. 5.00 Scotsport. 6.00 Scotland Today 6.05 Elkon. 6.15 Scottish Weather.

TYNE TEES:
12.25 The Littlest Hobo. 12.50 Tyne Tees News. 2.00 World Cup Swimming. 2.55 The Tyne Tees Match. 5.30 Bullseye. 5.50 Return of the Tall Ships. 6.15 Tyne Tees News. 6.15 Local Weather.

WESTCOUNTRY:
12.30 West Wise. 12.55 Westcountry Weekend Latest. 2.00 Westcountry Update. 2.30 Zorro. 3.00 Pippi Longstocking. (1968) 4.45 Bullseye. 5.15 Heart of the Country. 5.45 On the Road to the Islands. 6.15 Westcountry Weekend Latest.

YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 World Cup Swimming. 2.55 The Overlanders. (1946) 4.45 Cartoon. 5.30 Dinosaurs. 5.30 Bullseye. 5.50 Calendar and Weather 6.15 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Hayes on Saturday. 1.30 For Better or for Worse. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Dave Gelly. 5.00 Cinema 2. 6.00 New Country. 6.00 Ivan Rebroff in London. 7.00 I've Heard That Song Before. 7.30 Classical Masterpieces. 8.30 David Jacobs. 10.00 Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove.

BBC RADIO 3
6.35 Open University. Lord Briggs on History. 6.55 Weather. 7.00 Record Review. 9.00 News. 9.05 Scotland's Music. 2.00 Koussevitzky Legacy. 3.00 Jazz Record Requests. 3.45 Third Opinion. 4.30 The Bartered Bride. 6.15 Main Street, USA. 8.45 St Magnus Festival. 11.00 Impressions. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 Loose Ends. 11.00 Week in Westminster. 11.30 From Our Own Correspondent. 12.00 Money Box. 12.25 Just a Minute! 1.00 News. 1.10 Any Questions? 2.00 Any Answers? 071-580 4444. 2.30 Playhouse. 3.45 My Four Green Fields. 4.00 Age to Age. 4.30 Science Now. 5.00 No Ordinary Woman. 5.25 Fourth Column. 6.00 News and Sport. 6.25 Week Ending. 6.50 On the Ropes. 7.20 Kaleidoscope. 7.50 Saturday Night Theatre. 9.20 Music in Mind. 9.50 Ten to Ten. 10.00 News. 10.15 The Open Mind. 10.45 Eva and Adamson Again. 11.00 Richard Baker Compares Notes. 11.30 Lionel Nimrod's Inexplicable World. 12.00 News. 12.30 Close.

BBC RADIO 5
6.30 Weekend Edition Update. 6.45 Test Match Special. 8.45 Weekend Edition Update. 9.05 Test Match Special. 11.10 Go! 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.00 Six-O-Six. 1.30 Sport on Five. 5.00 Sports Report. 6.00 Six-O-Six. 7.00 Afropop Worldwide. 8.30 Le Top. 9.30 Nightbeat. 10.00 Sports Bulletin. 10.15 On the Level. 12.00 Close. 3.53 Test Match Special.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHz (463m) at these times GMT: 5.00 Newsdesk. 6.30 Programmes in French. 7.00 News; The World Today. 8.30 Programmes in French. 7.30 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newshour. 11.30 BBC English. 11.45 Mittagsmagazin. Newsin German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld. 4.00 News; News About Britain; BBC English. 4.30 Headlines in French. 4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 7.00 News; Personal View; Words of Faith. 8.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; A Jolly Good Show. 12.00 News; Meridian. 12.30 Programmes in German. 2.00 Europe This Weekend. 3.45 European Sports News. 4.00 Newshour.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 10.30 Brian Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Stars of the 50s. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Nick Barraclough. 12.35 Charles Nove. 3.00 Alex Lester.

BBC RADIO 3
6.35 Open University: Europe and a Changing World - Fiddling with the Past. 6.55 Weather. 7.00 Sunday Morning Concert. 9.00 News. 9.05 Brian Kay's Sunday Morning. 12.00 Spirit of the Age. 1.00 News. 1.05 Replay. 2.25 From the Proms 1992. 3.10 Lorna Anderson. 4.00 Brodsky Quartet. 4.50 Mozart. 5.30 Listening To - Edgar Varese. 6.30 Malcolm Binns. 7.30 Sunday Play. 8.50 Mendelssohn's Elijah. 11.10 Matthew Locke. 11.30 Music in Our Time. 12.30 News.

BBC RADIO 4
6.00 News Briefing. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday. 8.00 News. 8.10 Sunday Papers. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. 11.15 News Stand. 11.30 Pick of the Week. 12.15 Desert Island Discs. 1.00 The World This Weekend. 2.00 Gardeners' Question Time. 2.30 Classic Serial. 3.30 The Radio Programme. 4.00 Analysis. 4.47 More Wrestling Than Dancing. 5.00 From the Pool to 100 and a Fish. 5.30 Poetry Please! 6.00 Six O'Clock News. 6.15 Feedback. 6.30 Dished Up in the Dordogne. 7.00 Naked and Desirous. 7.30 Bookshelf. 8.00 A Taste of - Finnish. 8.30 Goodbye to All That. 9.00 Natural History Programme. 9.30 Special Assignment. 10.00 News. 10.15 In Search of Utopia. 11.00 In Committee. 11.30 Seeds of Faith. 11.45 Before the Ending of the Day. 12.00 News.

BBC RADIO 5
6.30 Weekend Edition Update. 6.45 Test Match Special. 8.45 Weekend Edition Update. 9.05 Test Match Special. 2.00 Money Talk. 3.00 Sunday Sport. 6.00 A Century Remembered. 6.30 Education Matters. 7.00 Sportsdesk. 7.05 Open University. 12.10 Across the Line. 12.00 Close. 3.53 Test Match Special.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHz (463m) at these times GMT: 5.00 News; Letter From America. 5.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Short Story: The Angels. 9.30 Folk Routes. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: Mother of 1084. 1.00 Newshour. 2.00 News Summary. 2.01 It's Your World Phone-ins. 3.00 News. 3.15 International Recital. 4.00 News; News About Britain. 4.15 BBC English. 4.30 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk Routes; Words of Faith. 8.30 Gods, Guides And Gurus. 9.00 News; News About Britain; BBC English. 9.30 Sunday Play. 10.00 News; Words of Faith; A Jolly Good Show. 12.30 Anything Goes. 4.00 News; The Brain.

CHESS

GARY KASPAROV gave a powerful exhibition of his skills this week when he visited Simpson's-in-the-Strand, London, for a charity display. His opponents were 25 teams of four from businesses and professions, and included a grandmaster and three IMs; but he emerged unbeaten with 22 wins and three draws.

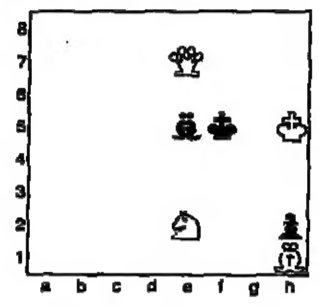
Kasparov made light of the personal attacks by Nigel Short who described his prospective opponent as "unpleasant", "incapable of normal relationships" and "looking like an ape". Kasparov praised Short for hyping their title match: "He's doing a great job in raising interest". Kasparov also met officials from Manchester, which next week is likely to make a formal bid for the 24-game series.

Short has signed for a match in May against Judit Polgar, 16. Top GMs dismiss Polgar, the best ever woman player, as a contender for the world title, but her 5½-4½ win over Boris Spassky was more impressive than Bobby Fischer's against Spassky.

Here Kasparov shows how to counter steady but passive defence; play coasts along quietly until the champion seizes the long diagonal and the black position collapses (G Kasparov, White; Warburgs Group Management team, Black; Sicilian Defence).

1 e4 c5 2 Nf3 d6 3 c3 Nf6 4 Bd3 Nc6 5 Bc2 Bg4 6 h3 Bh5 7 d3 e6 8 Nbd2 Be7 9 Qe2 Qc7 10 Nf1 d5 11 g4 dxe4 12 dxe4 Bg6 13 N3d2 h5 14 g5 Nd7 15 h4 0-0-0 16 Nc4 f5 17 f4 fxe4 18 Bxe4 Bf5 19 Ng3 g6 20 Bd2 Rhe8 21 0-0-0 Na5 22 Nxa5 Qxa5 23 Kb1 Qc7 24 Bc1 Kb8 25 Rhe1 b6? 26 Nxf5 exf5 27 Bh1! Nf8 28 Qf3 Kc8 29 Rxe7! Rxe7 30 Qa8+ Resigns.

No 962



White mates in two moves (by C Mansfield, 1929).

Solution page XXIV

Leonard Barden

BRIDGE

TODAY'S HAND from rubber bridge is an interesting example of the correct use of the hold-up. See what you can learn from Twice is Enough:

N
♠ A J 3
♥ 8 6 5
♦ K Q 4 3
♣ Q 8 2

W
♠ 7 4 2
♥ K J 9 7 3
♦ 9 7 6
♣ K 5

E
♠ Q 9 8 6
♥ Q 2
♦ J 8
♣ 10 9 7 4 3

S
♠ K 10 5
♥ A 10 4
♦ A 10 5 2
♣ A J 6

South dealt with both sides vulnerable and opened with one diamond. North bid three diamonds. South's three no-trumps ended the auction.

West led the heart seven. The declarer, who had learnt the hold-up at his mother's knee, withheld his ace until the third round. East discarded the three of clubs. South cashed four rounds of diamonds, finishing in his own hand. This forced a spade from West, and a spade and another club from East.

South cashed the spade king, led a spade and finessed the knave. East won, leading back a club. South played low, West took, and defeated the contract with his heart winners.

Let us replay the hand with better technique. We take the second heart (we know West does not hold more than five hearts), lead the diamond five to the queen, cash king and ace - we cannot afford to cash a fourth diamond - and throw West in with our last heart.

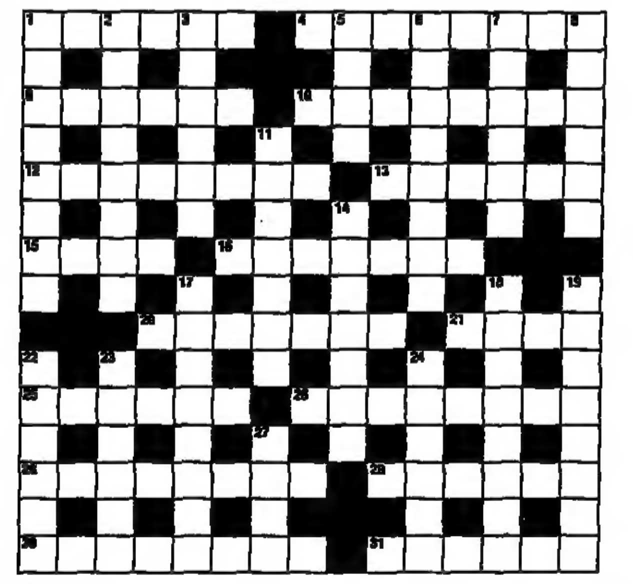
West cashes three hearts. We throw queen and two of clubs from the table, and spade five and club six from hand. West is trapped. A club return allows us to make ace and knave; a spade lets us make king and 10 and then, with the carefully preserved two of diamonds, we cross to dummy's four and score the ace of spades for contract. Very simple, and very safe.

E.P.C. Cotter

CROSSWORD

No. 8,082 Set by ADAMANT

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 3, marked Crossword 8,082 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 6.



Name...

Address...

ACROSS

1 Out east their other newspaper is saving money (6)
4 Transport for bachelor feeling queasy the morning after (8)
9 Authority on Irish currency holding one day's turnover (6)
10 Awkward step down to the fish tank (8)
12 Hate a man to become an object of loathing (8)
13 Able in a period of retirement to be mysterious (6)
15 Enjoy the same thing (4)
16 Wasting a prize (7)
20 Rail against hiving off English as a central element (7)
21 Freeze, it's said, at a party outside these days (4)
25 Hesitate over their five hundred lead (6)
26 The real truth edited out, monsieur, in "Le Figaro" perhaps (8)
28 At home he has nothing to try out as an idea (2,6)
29 Gradually brought in to turn heads after a quiet start (6)
30 Article on constructing non-British batteries (8)
31 Not, we hear, for the older woman (6)

DOWN

1 Where social climbers like to dine (3,5)
2 Plunders the pouch the soldiers are holding (8)
3 Steps up to spin the ball (6)
5 Cycle up a hill (4)
6 International body throw out the yen as not up to standard (8)
7 Catch hold of a hot pipe (6)
8 Another damned craze! (6)
11 Muffle second lepidopterist (7)
14 Leave a student to get frozen (7)
17 Profit from hobby (8)
18 Biased towards a soft operator (8)
19 The party orders the time for the apocalypse (8)
22 Habitual user did badly in the play (6)
23 Go to law about shoddy work on the sculpture . . . (6)
24 . . . and the rest of the girl artist (6)
27 The flowering of the satirist's work (4)

Solution to Puzzle No.8,081

S	P	H	E	R	E		L	A	N	D	M	I	N	E
E		O		A		S		U		I		M		S
R	O	L	L	M	O	P		D	E	S	C	A	N	T
A		L		P		E		I		S		G		A
G	U	Y	S		S	E	T	T	L	E	M	E	N	T
L		W		B		D		O		M				E
I	R	O	N	E	D		T	R	I	B	U	N	E	
O		O		H		M		Y		L		A		T
	A	D	M	I	R	A	L		H	E	B	R	E	W
O				N		T		T		D		R		I
P	I	L	E	D	R	I	V	E	R		C	A	N	T
O		A		H		N		N		B		T		C
R	E	P	L	A	C	E		S	W	E	D	I	S	H
T		S		N		E		E		T		O		E
O	V	E	R	D	O	S	E		M	A	N	N	E	R

Solution and winners of Puzzle No.8,070

	S	C	H	O	O	L	M	A	S	T	E	R		
P		A		I		O		P		E		E		T
E	A	R	P	L	U	G		I	N	S	U	L	A	R
R		R		C		O		C		T		E		U
F	R	I	L	L			S	U	B	S	O	N	I	C
E		O		O		S		L				T		I
C	O	N	S	T	R	U	C	T	S		A	S	I	A
T				H		P		U		T				L
I	C	O	N		H	E	A	R	T	I	N	E	S	S
O		R				R		E		M		N		T
N	E	G	A	T	I	V	E			E	X	T	R	A
I		A		I		I		S		B		R		T
S	A	N	C	T	U	S		C	H	O	R	A	L	E
T		I		H		O		A		M		I		S
		C	L	E	A	R	I	N	G	B	A	N	K	

M.M. Johnston, Glasgow; Michael Baylor, Dublin 6; Major C.R.G. Davies, Colwyn Bay; W.W. Etches, Esher, Surrey; Mrs J. Keene, London W8; D.J. Robinson, Cotswoldmead, Glos.

Mark of evil on Adam's Apple

***Dominic Lawson** investigates the apparent rise in violence by Britain's young*

THE Black Museum is the name given to a *long dank room in* the basement of New Scotland Yard. In it are collected exhibits of some of *the ghastliest* crimes and punishments.

The Black Museum is not open to the general public, but instead provides an afternoon's diversion for groups of people who have professional contact with the police, such as solicitors, and, it must be admitted, journalists.

Just below the ceiling, by the door, is a row of death masks of the heads and necks of rather non-descript looking men. If the police are hunters, these are some of their trophies.

The policeman showing visitors round is inclined to ask the question: "Can you see any common factor in the appearance of these men?"

The answer, given with relish, is: "They all have crushed Adam's Apples."

The trophies are the death masks taken of criminals who had just been hanged.

The original reason for the tak*ing of death masks of criminals in* the 19th century was, in fact, to find some common factor of physiognomy, in particular of the skull.

At that time the fashionable idea in criminal pathology was that not only was there such a thing as a criminal mind: there was also a criminal face. Not surprisingly the *criminal face was supposed to be* somewhat ape-like, with a low brow, and small, narrow set eyes. The idea was that policemen would come into the Black Museum, study *the skulls, and look for similar* characteristics among suspects.

Nowadays we laugh at such methods of detection. But the inspector plods of the 19th century did not have DNA testing to aid them in their hunt for the guilty men. And perhaps there is a case *for returning to the idea of, if not* the criminal face, at least that of the criminal cerebellum.

The country has been shocked by an apparent wave of crime among *the young. The police have arrested* two boys of 10 in connection with the kidnapping and murder last weekend of a two-year-old Liverpool toddler, James Bulger.

On Tuesday the newspapers reported the case of a 13 year old boy who is alleged to have stolen more than 200 cars. He is being held in a £500-a-day "secure unit", *more than 300 miles from his* home. The boy was taken from court in handcuffs.

On the same day the case was also reported of a 15 year old schoolboy, Stuart Smith, who broke into the home of a 23 year old mother, and, at knifepoint, raped *and assaulted her over a period of* two hours. The schoolboy threatened to kill the woman's one year old child, if she did not submit. At one point the child woke up, and *the boy sexually assaulted the* mother as she attempted to comfort the infant.

Fortunately, the judge who recently freed another 15 year old *rapist with the recommendation* that he pay £500 to give the victim "a good holiday" was not presiding over this case. Stuart Smith was ordered to be detained for life.

These, and other cases have started a process of national self-examination, to find out why we are breeding a new class of sadistic killers. Probably we are not. It is not so much that crime is increasing among the young, as that the reports of it have become *far less heavily censored than in* the past.

Forty years ago the newspapers would talk only of "serious offences" in the reporting of crimes *of an unnatural sexual nature.* Nowadays even *The Daily Telegraph* uses the word "buggery" when covering such matters. And assaults on little children, with or *without the social workers'* invented category of "Satanic Ritual" are also traditional English pursuits, like fox-hunting and pigeon-fancying.

As Brian Masters, a specialist in the field of criminal analysis, wrote in my own magazine last week: "A statute in the reign of Henry II fixed the age of consent at ten, which presupposes that sexual contact with young girls, even perhaps with girls under ten, was then common, if it had to be prohibited by law."

I suspect that single parent families, now widely – and with *some* reason – touted as the source of youthful criminal excess, were not so widespread in the days of Henry II. Nor was the sentencing of youth*ful offenders* particularly lax in medieval England.

As the novelist Sally Emerson wrote this week in *The Times*: "Even among the very young there *are children who are simply* bad. Certain children show a savagery, even as babies, which is frightening. Their parents, interestingly, are unable to see the evil others witness." Primitive stuff.

Perhaps it is time for the police to dust off those death masks in the Black Museum, and bring them up into the light, for the public good.

■ *Dominic Lawson is Editor of The Spectator.*

Truth of the matter

Caring for the carers

***Julia Riley** on euthanasia*

IN THE current debate on how far doctors may go to relieve the sufferings of the terminally ill, I believe the advances in palliative medicine have often been underestimated, particularly by those who say mercy killing can be justified.

The UK is a world leader in this branch of medicine (the science of treatments to relieve symptoms cre*ated by disease, rather* than curing the disease itself). It started when Dame Cicely Sanders founded the Modern Hospice Movement in 1959. A new concept at the time, it unfortunately continues *to be an alien* concept today.

Palliative medicine is now a recognised postgraduate speciality in the National *Health* Service. It is, however, unique, in that it started in people's homes and in the charitable sector.

The health service recognised the enormous value of charitable hospices and has therefore incorporated and accredited some *hospices* in which doctors can train in the speciality.

It is well-known that most people wish to die at home. The reality is that most people die in hospitals. This can be changed. The answer is to support patients and their relatives in the *home*. In 1911, 27-year-old Douglas Macmillan looked on helplessly as his father suffered from, and eventually died from, cancer of the oesophagus. Later that same year he set up Cancer Relief. Today there are nearly 1,000 Macmillan nurses throughout the United Kingdom, most of whom are community-based.

Recently, the role of the Macmillan nurses has extended into helping improve care for patients in hospitals as well. Their main role is support and advice about allevia-

'It is well-known that most people wish to die at home; most die in hospitals'

tion of symptoms.

Ask yourself, what is the role of a hospice? Many will answer: it is a refuge for the dying. No, I say, it is a place to control symptoms that cannot be managed at home. The symptoms may be those of the patients or the carer.

The reasons for *admission* to a hospice are numerous. They include physical symptoms such as pain, vomiting, fatigue, weakness, loss of mobility and many others. There are emotional factors such as fear, anxiety, panic or depression. The list is endless. Then there is the question of a carer, or lack of a carer at home. Respite admissions, offering a period of rest for the patient and the family, is also common.

Pain control is, of course, essential *to the running* of a good Palliative Medicine Unit. Pain has many components to it. It is influenced by disease, anxiety, previous experiences and fear. It is rare that pain *cannot be controlled, although each* patient has a different pain threshold.

The greatest fear of dying patients, and indeed, the public at *large, is pain. The cry of "I would* rather die than be in pain" is heard all too often. The reality is that the vast majority of patients' pain is well controlled by specialists in this field. In an extremely small minority, if pain control is inadequate, sedation is an alternative. This is effectively increasing the patient's sleep. It is not taking *life*. It is kind. *It is* compassionate. It is merciful to both the patient and his or her family and loved ones.

Dealing with dying patients every day, I have yet to come across a patient to whom we were not able to bring comfort in the last phases of life. The most important question is therefore one of education, not euthanasia. If patients and doctors know where to turn for help, cases such as that of Dr Alan Cox, the Winchester doctor who was found guilty of killing a terminally ill patient, will be history.

The health service has recognised the need. The speciality is growing and new posts are being created by the NHS annually. Ultimately, we should have palliative medicine physicians in all hospitals caring for those that are terminally ill.

In a column on this page, Hugh Dickinson, the Dean of Salisbury, said that if we do not "address it [euthanasia] and find and acceptable legal protection for it, I believe we will find people taking their own lives and the lives of their dear ones into their own hands". May I contradict him and say that euthanasia is the removal of life and is not acceptable, and if the law changes to make it in any way acceptable, then we most certainly will run the *risk of people taking the lives of* their dear ones. Taking one's own life is a different matter altogether.

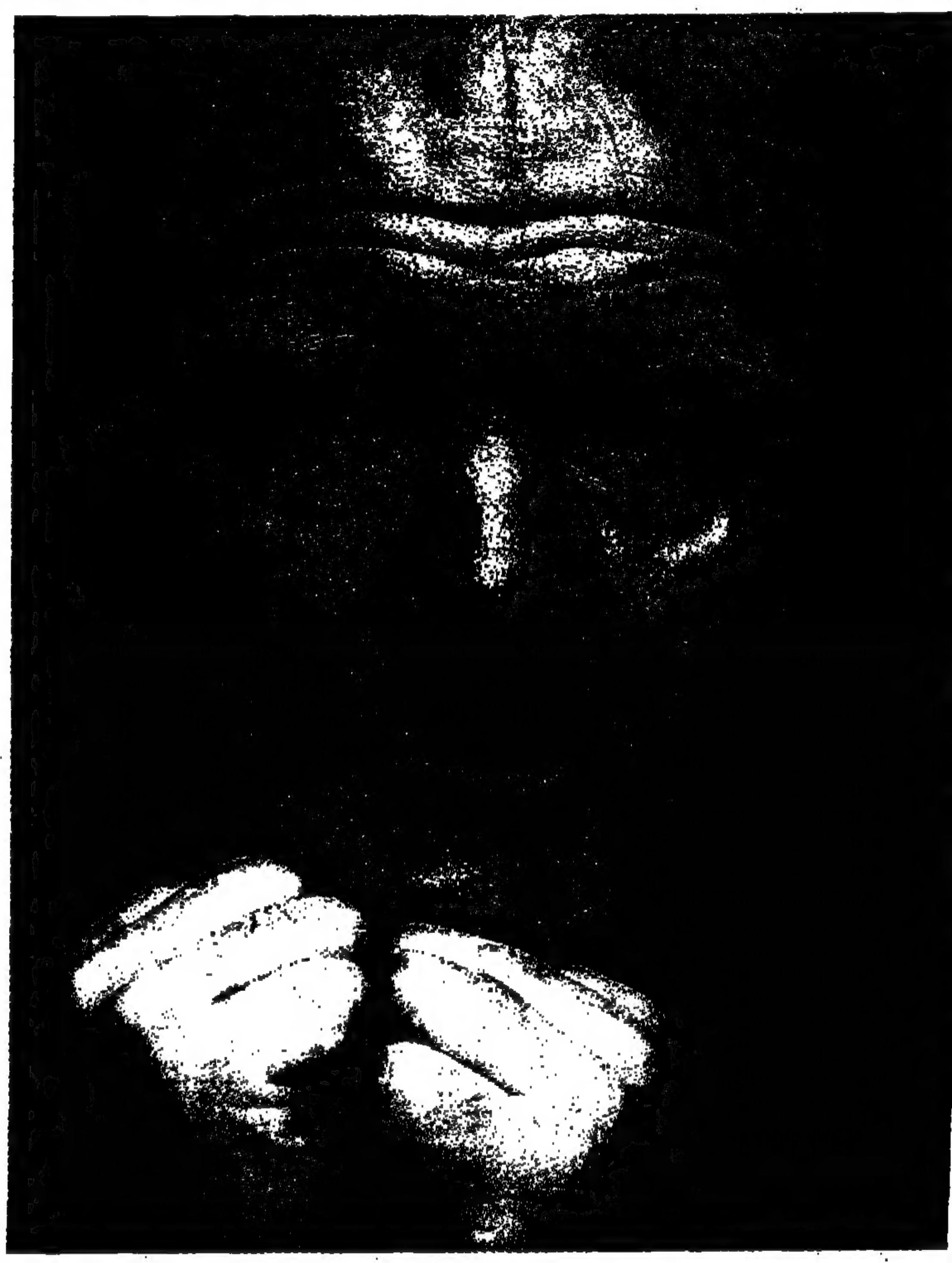
So let us not change the law about euthanasia, but rather *change our attitudes* to dying.

■ *Dr Julia Riley is senior registrar, The Princess Alice Hospice, Esher.*

Private View/**Christian Tyler**

Lawyer whose profession is peace

Torkel Opsahl, a Norwegian expert on human rights, has returned to the Irish conflict to head a citizens' inquiry



IN AN upstairs room in Belfast this week, a Catholic taxi-driver whose son was killed by a Protestant gunman was answering questions from the widow of the last prime minister of northern Ireland.

Listening to him in the front row of the audience was the lanky figure of a well-known Ulster Unionist borough councillor, one of the Province's landed aristocracy.

A woman with a well-educated English accent rose to tell the panel that the front of her house was in a Catholic street, the back in a Protestant one and that nobody would talk to the army or police for fear of being, as she put it, "bumped off".

At the back of the room a woman with an Irish accent complained of "a colonial situation". A grey-bearded man with a briefcase said both sides should take up meditation. Could he have £75,000 to buy a *vacant hall in the city?*

This was a session of the Opsahl Commission, an independent, charity-funded "citizens' inquiry" which has been taking the views of everyone from prelates to prisoners in the hope of making fresh sense of a conflict which has defied all efforts for 23 years.

The commission's chairman is Torkel Opsahl, a human rights expert who is professor of law at the University of Oslo. His experience of human conflict dates back to the Cold War – he studied in New York and Moscow in the early 1950s – and includes the Middle East and Bosnia today.

But what can a Norwegian professor, however qualified and however well assisted by his panel of six commissioners, hope to extract from the most-analysed political problem of the western world?

Over a late-night glass of lager, I asked him why he had accepted the invitation.

"There is a personal dimension and a professional answer," he said. *Opsahl's lawyer-like discretion* seems more acquired than inborn: he is a man who appears to enjoy an excuse to unbutton. Several times he emphasised that he was tonight making an exception of his rule not to talk too much.

He told me that he had heard many Irish cases in the 1970s as a member of the European Commission of Human Rights and had got to know many victims – or alleged victims – of the security forces.

Cases sent up from the Maze Prison? I asked.

"Oh, yes I have been to the Maze prison to interview Bobby Sands [the hunger striker] a week before he died."

But this is not really a human rights inquiry, is it?

"No, it's not. It's peacemaking ... no, that's too pretentious. But it's an effort to see if there is after all any light in the end of this tunnel. This commission is a very different thing but it rang a bell with me because I have friends from that time."

After years working on human rights Opsahl was tempted by the chance to play a new role. Besides, life in Oslo was becoming dull.

What can an outsider bring to the *job, apart from a pair of ears?*

"But that's the most important thing. I didn't expect to bring anything but they asked me to come. I said I will bring whatever understanding I have. I can listen, I can read."

Is this really a lawyer's task?

"Lawyers are useful for many things, to find honourable compromises, that's our purpose. 'Trained incapacity', isn't that what lawyers have?"

The professor of constitutional law is a beefy-looking man who took up his profession "for a strange mixture of reasons"; one of *which was that "you could still* become a journalist, playwright or sports star". He felt no envy for friends who went on to big things: one is Norway's foreign minister, *another its chief justice.*

Opsahl is a founding member of Amnesty International and in that capacity was an observer at the Daniel and Sinyavsky trial in *Moscow. For 15 years* he was an adviser for the Nobel Peace Prize committee but resigned, unobtrusively, in protest at the joint award in 1973 to Henry Kissinger and the north Vietnamese *Le Duc Tho*.

He is also one of the five lawyers who have been collecting information for the UN about war crimes in Bosnia: their report has just gone to the secretary-general.

At one point I said something about northern Ireland's middle class being above the conflict. Opsahl leapt on the word class.

"Are you a Marxist? I thought I was until I met my wife [a teacher of philosophy]. She was a Marxist-Leninist and I had to talk her out of it – and at least the Leninist part has gone.

"I was for a time attracted to the class analysis. You say 'middle-class'. I think of the Protestant and Catholic working class here and I don't *think* Marx has helped them a lot. God hasn't either, as far as I can see. But the class analysis may still be valid here."

I asked him what prejudices he brought to the job. If he had prejudices, he said, they would arise from having come in contact with people ill-treated by the authorities. *But, he assured me, he had not* from that concluded that the army and Royal Ulster Constabulary were made up only of oppressive bigots.

"No more did I come here with the idea that this is the last part of the Empire which Britain is fighting to preserve, or anything like that."

Opsahl was reluctant to advertise his views before the commission, whose hearings end next week, reports this summer.

A few things are clear. One is that he mistrusts the idea of "self-determination".

"It is a good slogan wherever you go and it causes a lot of killing and bloodshed. But I don't think it's a *very helpful concept, especially not* in northern Ireland."

Another is that he thinks ethnic conflict should be tackled pragmatically, not by brandishing principles. *He had learned what he called a* deep wisdom:

"It is that conflict is inevitable in all societies, conflicts have no solutions, conflicts must be managed but they can't be *solved. Someone* in the UN Human Rights Commission said once that if you want solutions you should ask for chemists.

The process was more important than report, he added. One of the 600 submissions had suggested that it might be better to abandon talks at the political level and try to build consensus slowly, undramatically, on the ground.

"I like the sound of this, but I don't know where it leads us. Because it could look rather, what *do you call it?"*

Defeatist?

"Defeatist, yes – that we can't do anything political, that we only work on social matters, on the envi*ronment, commerce* and unemployment. Should one come out publicly and say there is no institutional answer?"

Opsahl would not answer his own *question directly but he reminded* me that there is another argument: unionist fears and nationalist demands mean there can be no peace until the constitutional problem has been dealt with.

I get the impression your inquiry *is not taken seriously here*, I said.

"But I have never had so much press in my life before. Anyway, it doesn't matter so long as we get all these intelligent submissions."

If the process is ignored, the result may be ignored too.

"Yes. If it's ignored by politicians and those who have influence, ideas and the will to do something – then we have lost."

What is your minimum expecta*tion and what is your maximum* hope?

"The minimum ambition is to write a good report. You can say that even a good report will just go *into the drawer somewhere. But I* think it will be read with attention by most of those who can influence developments here. I am not saying they will adopt the proposals, but it may give them some insights.

"My maximum expectation is of course that the process will lead to peace in northern Ireland within the foreseeable future. I say 'peace' because I think the ending of the violence is a precondition for results, but I am not saying there must be formal peace agreement.

"Most of the parties to the conflict have locked in pictures of each other as enemies. But they should be told that really they have no enemies. It's more fear than animos*ity which is the problem."*

When you are back on your farm in Norway does this commission keep you awake at night?

"I see this as a job, not as my own *destiny. But as I said earlier on I've* done enough fact-finding and applying laws. This is different. It's ... again, 'peacemaking' is too ambitious ... being part of a process *for managing conflict. I've* always believed that conflicts are there to be managed if they cannot be solved."

Pretoria's environmental test

***Patti Waldmeir** on the battle near South Africa's St Lucia game reserve*

AT FIRST thought, it seemed an outrage. In the midday heat, I had stopped for water on the long march up the slopes of the St Lucia sand dunes, through darkly green tangled forest, home to the black rhino. Under the spell of the surrounding bushveld, I could hardly bear to think of the plan to strip-mine adjacent dunes for lucrative heavy minerals.

Surely it was sacrilege to allow Mammon's bulldozers to rip through the dangling lianas and uproot the feathery thorn trees, to chase away insect and mammal, to destroy the magical wilderness which had soothed my urban soul?

South African nature lovers had all reacted similarly on learning that Richards Bay Minerals, a South African company 50 per cent owned by RTZ and one of the world's most profitable mining concerns, planned to mine near Natal's St Lucia game reserve, and its extraordinarily beautiful coastal dunes and coral reefs, saline lakes and marshes.

Some 300,000 people signed petitions to protect the site on the Indian Ocean coast, an area designated under the 1971 Ramsar agreement (drawn up under the auspices of the *International Union* for the Conservation of Nature and signed by South Africa) as a globally important wetland.

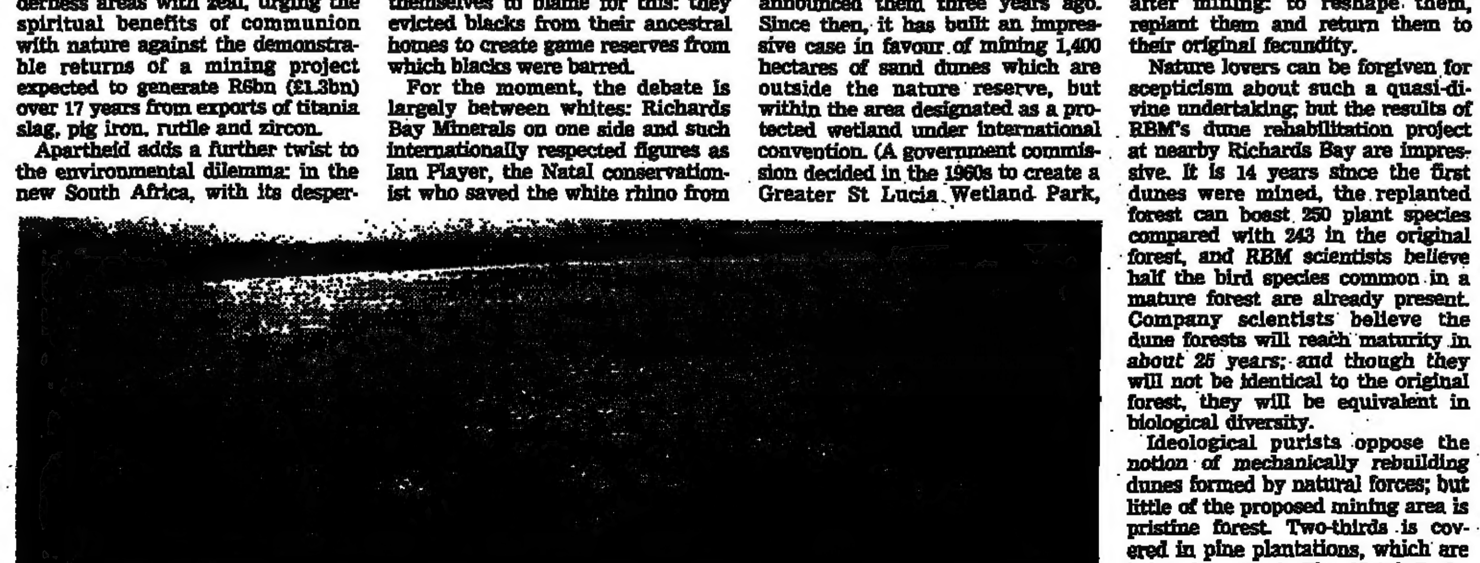
An environmental impact assessment of the project by *independent* scientists is to be released on March 18. It will be reviewed by a public panel headed by a judge, but the government will have the final say.

Conservationists defend one of South Africa's few remaining wilderness areas with zeal, urging the spiritual benefits of communion with nature against the demonstrable returns of a mining project expected to generate R6bn (£1.3bn) over 17 years from exports of titania slag, pig iron, rutile and zircon.

Apartheid adds a further twist to the environmental dilemma: in the new South Africa, with its desperate need for jobs and economic development, nature conservation is often seen as a white elitist concern. Conservationists have largely themselves to blame for this: they evicted blacks from their ancestral homes to create game reserves from which blacks were barred.

For the moment, the debate is largely between whites: Richards Bay Minerals on one side and such internationally respected figures as Ian Player, the Natal conservationist who saved the white rhino from extinction, and author Laurens van der Post, on the other.

The company admits it was slow to defend its plans when it announced them three years ago. Since then, it has built an impressive case in favour of mining 1,400 hectares of sand dunes which are outside the nature reserve, but within the area designated as a protected wetland under international convention. (A government commission decided in the 1960s to create a Greater St Lucia Wetland Park, encompassing the entire area, but the project never happened.)



The St Lucia game reserve: plans to strip-mine dunes nearby on the Indian Ocean coast have stirred powerful emotions

The company's defence relies on its promise to restore the dunes after mining: to reshape them, replant them and return them to their original fecundity.

Nature lovers can be forgiven for scepticism about such a quasi-divine undertaking; but the results of RBM's dune rehabilitation project at nearby Richards Bay are impressive. It is 14 years since the first dunes were mined, the replanted forest can boast 250 plant species compared with 243 in the original forest, and RBM scientists *believe* half the bird species common in a mature forest are already present. Company scientists believe the dune forests will reach maturity in *about 25 years*; and though they will not be identical to the original forest, they will be equivalent in biological diversity.

Ideological purists oppose the notion of mechanically rebuilding dunes formed by natural forces; but little of the proposed mining area is pristine forest. Two-thirds is covered in pine plantations, which are *being harvested. The Natal Parks* Board plans to leave the area to regenerate on its own.

The conservationists' main concern is that mining will disturb the hydrology of the dunes: the underground channels which carry rain water to supplement the fragile ecosystem of nearby Lake St Lucia, the focus of one of South Africa's richest wildlife reserves and the biggest estuarine lake in Africa.

Player argues that, in droughts, fresh water from the dunes alone sustains the lake's hippos and crocodiles (the hippo population is the largest in southern Africa). Environmentalists fear the fragile saline balance of the lake will be disturbed, both by destroying these channels, and by the extra water used in mining. They say RBM should mine a nearby area which is less environmentally sensitive – but which the company says would be far less profitable.

The new South Africa is a harshly pragmatic place where economic development is seen as crucial to a peaceful transition to democracy – and where the prospect of R6bn in foreign exchange earnings could *easily outweigh the longer-term* benefits of more sustainable jobs but much smaller revenues if ecotourism were developed in the area.

Indeed, with the impact assess*ment understood to stop short of* predicting definite damage to the area (while failing to promise there will be none), mining will probably go ahead. Only time will tell *whether future generations will* again enjoy the peace of the dunes – with a little help from man.